



Public Schools of North Carolina
State Board of Education
Department of Public Instruction

Report to the North Carolina General Assembly

Charter Schools Annual Report
S.L. 2013-335; S.L. 2014-115

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Report #47
DPI Chronological Schedule, 2017-2018

2018 Charter School Annual Report

Executive Summary

North Carolina state statute requires an annual reporting of charter school performance, impact on traditional public schools, best practices, and other factors. The North Carolina State Board of Education (SBE), Charter Schools Advisory Board (CSAB), and Office of Charter Schools (OCS) welcome this opportunity to reflect on the successes and challenges encountered in the charter sector over the past year, and to chart a path towards high academic outcomes for all students as embodied in the first two purposes of the charter legislation.

In accord with NC charter school's primary purpose to "improve student learning," the percentage of charter schools earning Ds or Fs has decreased for the fifth year in a row. Continuing a trend emerging over the past several years, the most recent demographic data show that, overall, charter schools are becoming more racially diverse as envisioned in the second purpose in statute, to "increase learning opportunities for all students." With the funds available through the \$23.4 million North Carolina Advancing Charter Collaboration and Excellence for Student Success (NC ACCESS) Program grant awarded by the United States Department of Education, OCS is confident that the number of high-quality charter schools serving economically disadvantaged student will continue to increase.

The North Carolina State Board of Education (SBE) and the North Carolina General Assembly (NCGA) have each provided critical supports to ensure accountability, oversight, and autonomy in the state's 184 charter schools. The NCGA has protected charter school autonomy by ensuring charter school performance-based accountability and encouraging charter school innovation through a strong charter law. The SBE has provided strong oversight to ensure charter schools remain in compliance with General Statute, SBE policy, and the charter agreement. We look forward to continued partnership with these entities to ensure that all of North Carolina's students have access to high quality expanded choices in the charter sector as charter schools demonstrate meeting measurable student achievement results through its performance-based accountability systems.

Table of Contents

Legislation and Historical Background.....	3
Charter School Student Enrollment.....	4
2018 Charter Sector Growth and Sustainability.....	5
2018 Legislative Updates.....	7
Office of Charter Schools Updates.....	8
Charter School Academic Performance.....	9
Charter School Impact on Local Districts.....	18
Ensuring Autonomy and Accountability.....	19
Best Practices Resulting from Charter School Operations.....	21

Appendix A Renewal Guidelines

Appendix B LGC Audit Framework

Appendix C Annual Performance Framework Audit

Appendix D Charter Agreement

Appendix E NCDPI Support of Charter Schools

Appendix F Performance Data Charts: Number of Students Tested

Legislation and Historical Background

In 1996, the North Carolina General Assembly passed the Charter School Act, thereby authorizing the establishment of “a system of charter schools to provide opportunities for teachers, parents, pupils, and community members to establish and maintain schools that operate independently of existing schools, as a method to accomplish all of the following:

1. Improve student learning;
2. Increase learning opportunities for all students, with special emphasis on expanded learning experiences for student who are identified as at risk of academic failure or academically gifted;
3. Encourage the use of different and innovative teaching methods;
4. Create new professional opportunities for teachers, including the opportunities to be responsible for the learning at the school site;
5. Provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system;
6. Hold the schools established under this Part accountable for meeting measurable student achievement results and provide the schools with a method to change from rule-based to performance-based accountability systems.”

Codified in NC General Statute as Article 14A of Chapter 115C (115C-218, *et al.*), the charter schools law assigns the State Board of Education the sole authority to grant approval of applications for charters.

Statute originally capped at 100 the number of charter schools that could operate in the State in a given school year, but the General Assembly removed that ceiling in August 2011. Since then, the number of charter schools in the state has grown from 100 to 184. Thirty-four charter schools opened in the inaugural year of 1997.

Current statute sets the parameters for how the system of charter schools must operate. The law includes the following sections:

- Purpose of charter schools; establishment of North Carolina Charter Schools Advisory Board and North Carolina Office of Charter Schools
- Eligible applicants, contents of applications; submission of applications for approval
- Final approval of applications for charter schools
- Charter school exemptions
- Charter school operation
- General requirements
- Accountability; reporting requirements to the State Board of Education
- Charter School Facilities
- Charter School Transportation
- Admission Requirements
- Employment Requirements
- Funding for charters
- Causes for nonrenewal or termination; disputes

Charter School Student Enrollment

North Carolina's charter sector has grown rapidly in the seven years since the cap on charter schools was lifted in 2011. Charter school enrollment in North Carolina has increased more than 200 percent in the past ten years. There are currently 182 brick-and-mortar charter schools operating in 65 different local education agencies, and two virtual charter schools, for a total of 184 operating charter schools. As shown in the chart below, more than 100,000 students were enrolled in charter schools in 2017-18. According to second month Average Daily Membership (ADM) figures certified in November 2018, 109,389 students are now being served by charter schools. This represents 7.3% of the total public school population (1,490,472).

Charter School Student Demographics 2017-2018 School Year

	Charter Schools		Traditional Public Schools		All	
Race/Ethnicity/Gender	Students	Percent	Students	Percent	Students	Percent
Total White	55,401	54.9%	686,652	47.9%	742,053	48.4%
Total Black	26,349	26.1%	361,746	25.2%	388,095	25.3%
Total Hispanic	10,040	9.9%	256,848	17.9%	266,888	17.4%
Other	9,196	9.1%	128,000	8.9%	137,196	8.9%
Male	50,443	50.0%	736,972	51.4%	787,415	51.3%
Female	50,543	50.0%	696,274	48.6%	746,817	48.7%
Total Enrollment	100,986	100.0%	1,433,246	100.0%	1,534,232	100.0%

	Charter		LEA		Charter + LEA	
Special Categories	Students	Percent	Students	Percent	Students	Percent
FRPL	28,199	33.2%	841,089	59.4%	869,288	57.3%
ELL	3,607	3.6%	112,575	7.9%	116,182	7.6%
SWD	10,154	10.3%	173,102	12.2%	183,256	12.0%

*FRPL: Free and Reduced-Price Lunch

*ELL: English Language Learners

*SWD: Students with Disabilities

It is important to note that the ED student data (collected through NCDPI Testing and Accountability Services) is self-reported by charter schools. While charter schools do certify to NCDPI that the numbers they report are accurate, some schools have expressed concern that, since they must ask families to self-report income information to verify ED status, the figures may underrepresent the true ED population in a given school and across all charter schools. Charter schools that do not participate in the National Free and Reduced Lunch program, and therefore do not have that participation rate to use as a proxy for ED student status, may be most likely to report figures that underrepresent the true ED population at their schools. Improvements to this data collection are being implemented through collaboration with the National School Lunch Program by using data available through the Direct Certification System for the 2018-2019 school year.

Cultivating and Increasing Diversity

Several charter schools have elected to implement weighted lotteries to diversify their student population. The ability to conduct a weighted lottery is codified in G.S. 115C-218.45(g1). Charter schools may not discriminate in their admissions process on the basis of race, creed, national origin, religion, or ancestry; however, they are allowed to utilize additional controls to enroll underserved populations, if supported by the school's mission. In the past year, The Exploris School (Wake County) and Moore Montessori Community School (Moore County) have submitted charter amendments to use admissions set-asides for students from low socioeconomic backgrounds.

Notably, the Francine Delaney New School in Asheville has been recognized by The Century Foundation for its intentional efforts to diversify its student population. As a "Diverse by Design" Charter School, Francine Delaney was noted as having a strong commitment to diversity as evidenced by the school mission statement, strategies for diverse enrollment, expressing an appreciation for diversity within the school environment, and describing the benefits that a diverse learning environment has for students and communities.

The Office of Charter Schools is working diligently to provide professional development and training for school leaders interested in cultivating and increasing diversity at their respective schools. Planned activities include adding several diversity-related sessions to regional huddles and the yearly conference sponsored by Financial Business Services; proposed sessions include how to recruit and retain a diverse teaching staff, how to incorporate diversity into the mission and design of a school, and how to implement culturally relevant pedagogies and restorative justice discipline practices. Additional information on NCDPI support of charter schools is in Appendix E.

2018 Charter Sector Growth and Sustainability

2017 Charter Application Updates

During the 2017 application cycle, twenty-nine nonprofit boards submitted applications to open charter schools. The Office of Charter Schools reviewed the applications, and the applicant groups with incomplete applications were given five days to submit or clarify incomplete items. Twenty-six applications were deemed complete and moved forward for substantive review. Of those, eleven were recommended as Ready to Open, and all eleven were approved for a charter by the North Carolina State Board of Education. One of those non-profit boards successfully opened their charter school in August 2018 on an accelerated schedule, and nine of those boards are currently amid their planning year.

2018 Charter Application Updates

During the 2018 application cycle, thirty-five applications were submitted for new charter schools. These applications are currently under review by the CSAB as part of the formal review process and are available for public viewing on the Office of Charter Schools website. The CSAB will then make recommendations to the State Board of Education for applications to move into the Planning Year/Ready to Open process.

The SBE will make final decisions regarding approval by August 15.

Eighteen of the thirty-five applicants were for schools in urban districts and surrounding areas.

- Wake County (8 applicants)
- Mecklenburg County (5 applicants)
 - Gaston County (1 applicant)
- Guilford County (2 applicants)
- Cumberland County (2 applicants)

2018 Charter Renewal Updates

Eleven charter schools were considered for renewal in 2018. The SBE-approved policy and framework guiding renewal decisions is in Appendix A. Of the 11 schools being considered for renewal, nine were recommended for ten-year renewals and two were recommended for three-year renewals with stipulations. The State Board of Education approved all of the CSAB's renewal recommendations.

2019 Charter Renewal Updates

Thirty-three schools are being considered for renewal in 2019. The CSAB will vote on renewal term recommendations for each school in December 2018, and their recommendations will be forwarded to the SBE in January 2019.

Charter School Assumption and Closure Updates

Due to ongoing concerns related to finances, governance, and operations, Heritage Collegiate Leadership Academy was recommended for assumption and assumed by another entity. The school was rebranded as Three Rivers Academy and is being monitored closely by the CSAB.

Finally, Global Achievers School was recommended for charter revocation due to enrollment beneath the statutory minimum requirement. The State Board of Education accepted this recommendation.

Legislative Updates

Virtual Charter Pilot Program Extension

North Carolina's virtual charter pilot program was extended to 2022 through the Appropriations Bill (S.B. 99). Two schools currently operate under that pilot program. The bill also stipulated that a five-year and seven-year report be delivered to the Joint Legislative Education Oversight Committee in November 2020 and November 2022.

Requesting Funds from Municipalities

The Appropriations Bill also granted charter schools the ability to request and receive municipal funds (either property tax revenues or other unrestricted revenues to fund public education) if the charter school serves residents of that municipality.

Municipal Charter Schools

HB514 authorized the municipalities of Matthews, Mint Hill, Huntersville, and Cornelius to operate town charter schools and give enrollment preference to residents of their municipality. This legislation did not amend the process by which applicants are granted charters. Interested municipalities are still required to apply and undergo the same evaluation process as all other charter school applicants. No applications for municipal charter schools were submitted in the most recent charter school application round.

Transportation Grant

S.L. 2017-57 appropriated funds of \$2,500,000 to the Charter School Transportation Grant. The grant was established to reimburse transportation expenses for charter schools where 50% or more of the student population is eligible for free and reduced lunch. Although charter schools are not required by law to provide transportation to students, many charter schools still provide the service at their own expense to students who could not otherwise attend charter schools.

The grant's purpose was to increase the ability of charter schools serving lower-income students to expand transportation and lunch provision offerings to that population. Receipt of grant funds would allow charter schools to provide transportation to more students who qualified for free and reduced lunch, thus increasing lunch provision and participation. Eligible charter schools could be reimbursed for up to 65% of their transportation costs with a maximum award of \$100,000.00 per school for the 2017-18 school year.

Forty-three charter schools received reimbursements totaling \$2,500,00.00. Four charter schools received the maximum award of \$100,000.00 and the average award amount was \$58,140.00. As stipulated by SL 2017-57, a required reporting form with a completion deadline of June 30th, 2018 was distributed to the forty-three charter schools that received reimbursements.

A majority of schools not already providing lunch to all students reported that lunch provision and participation increased after receiving the Charter School Transportation Grant. Additionally, transportation offerings were expanded at 85% of charter schools that received reimbursement who did not already provide transportation to all students. The primary mode of transportation provided by charter schools was self-operated bus transportation.

The grant was not renewed for the 2018-19 school year.

Office of Charter Schools Updates

Charter School Program Grant

The Office of Charter Schools was awarded \$23.6 million over five years to help charter schools meet the needs of economically disadvantaged students. North Carolina was one of eight states to receive the Expanding Opportunities Through Quality Charter School Program grants. The funding will be used to assist new and recently opened charter schools that serve a large economically disadvantaged student population, to encourage the replication of high quality schools serving a large percentage of economically disadvantaged students, and to encourage high quality charter schools to expand and increase the percentage of economically disadvantaged students enrolling in their school. Schools receiving subgrants are required to implement a weighted lottery and to increase their percentage of economically disadvantaged student enrollment.

Epicenter

The Office of Charter Schools has adopted Epicenter, a web-based electronic records and data management system to automate and streamline reporting and accountability requirements. In conjunction with representatives from the National Charter Schools Institute, the Office of Charter Schools is conducting training sessions across the state to help school leaders become acclimated with the new platform.

Professional Development

Over the past year, the Office of Charter Schools has offered several opportunities for professional development. In addition to webinars on financial reporting requirements and Read to Achieve, OCS sponsored a Regional Huddle, the Charter School Leadership Institute, and offered programming at the yearly Financial Business Services conference.

Charter School Academic Performance

The sixth legislative purpose of charter schools outlined in G.S. 115C-218 is to “hold the schools established under this Part accountable for meeting measurable student achievement results and provide the schools with a method to change from rule-based to performance-based accountability systems.” This section of the Annual Report examines the student achievement results of North Carolina’s charter schools. Please note that this reporting includes data from North Carolina’s two virtual charter schools, which are both currently in pilot status.

With the exception of schools operating under an alternative status, all public schools are assigned School Performance Grades (A-F) based on test scores, and, for high schools, additional indicators that measure college and career readiness. School Performance Grades are based on student achievement (80%) and growth (20%). Overall, charter school performance is on an upward trajectory. For the fifth consecutive year, the percentage of charter schools earning grades of D or F has decreased. In 2017-18, 21.9% of charter schools earned Ds or Fs, compared to 24.2% the previous year. Over 40% of charter schools earned an A or B in 2017-18.

2017-18 School Grades for Charter and Non-Charter Schools

Grade	Charter		Non-Charter		All	
	Number	% of Graded	Number	% of Graded	Number	% of Graded
A	15	8.7%	170	6.9%	185	7.0%
B	55	31.8%	662	26.8%	717	27.1%
C	60	34.7%	1012	40.9%	1072	40.5%
D	30	17.3%	441	17.8%	471	17.8%
F	8	4.6%	84	3.4%	92	3.5%
I	2	1.2%	10	0.4%	12	0.5%
N/A	N/A	N/A	3	0.1%	3	0.1%
Alternative	3	1.7%	90	3.64%	93	4%
Total A-F	168	98.3%	2369	96.2%	2645	95.9%
Total A and B	70	40.5%	832	33.7%	902	34.1%

68% of public charter schools met or exceeded expected growth in 2017-18. The number of charter schools exceeding growth increased from 36 in 2016-17 to 46 in 2017-18.

2017-18 School Growth Status

Growth Status	Charter		Non Charter		All	
	Number	Percentage	Number	Percentage	Number	Percentage
Exceeded	46	27.2%	631	26.7%	677	26.7%
Met	69	40.8%	1096	46.3%	1165	46.0%
Not Met	53	31.4%	639	27.0%	692	27.3%

Number and Percentage of Schools At or Above 60% Grade Level Proficient and College/Career Ready

	Charter		Non Charter		All	
	Number	Percentage	Number	Percentage	Number	Percentage
Schools At/Above 60% GLP (Level 3, 4, or 5)	97	56.7%	1,071	44.3%	1,168	45.1%
Schools At/Above 60% CCR (Level 4 or 5)	59	34.5%	527	21.8%	586	22.6%

Academic Performance: Low Performing and Continually Low Performing Schools

House Bill 242 approved in 2016 removed the language defining academic inadequate schools from 60% or growth in two of three years. The new language defined Low-Performing and Continually Low-Performing Charter Schools.

- Low performing charter schools are those that received a school performance grade of D or F and a school growth score of “met expected growth” or “not met expected growth.”
- A continually low-performing charter school is a charter school that has been designated by the State Board as low-performing for at least two of three consecutive years.

In 2018, 34 schools were on academic notice (identified as Low-Performing or Continually Low-Performing). One school was assumed in August 2018 (Heritage Collegiate Leadership Academy). There was considerable overlap between the Low-Performing and Continually Low-Performing lists. Of the 28 schools identified as Low Performing, only six were not also identified as Continually Low Performing. Of the 28 schools on the Continually Low-Performing list, 6 were not identified as Low-Performing (because they received a grade higher than D and either met or exceeded growth in 2017-18).

In order to hold charter schools accountable for student achievement results, the CSAB requires every school on the Low-Performing or Continually Low-Performing list to appear before them and present a plan for school improvement. CSAB members ask pointed questions about the efficacy of school plans and often encourage schools to establish student achievement goals that are feasible and ambitious.

Academic Performance: Grade Level Proficiency Across Subject Areas and Subgroups

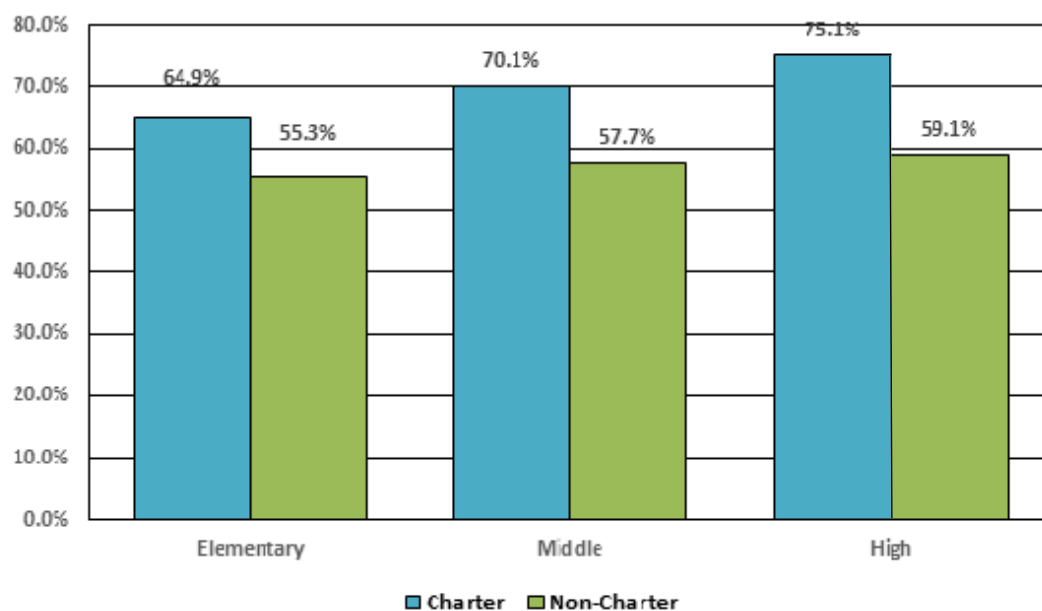
The next several charts depict charter school student proficiency in English/Language Arts, Math, Science, and the ACT, both overall and within specific subgroups. The number of students captured within each subgroup score is located in Appendix F.

English/Language Arts Performance

English Language Arts Charter Schools and Non-Charter Schools

All Students Comparisons 2018

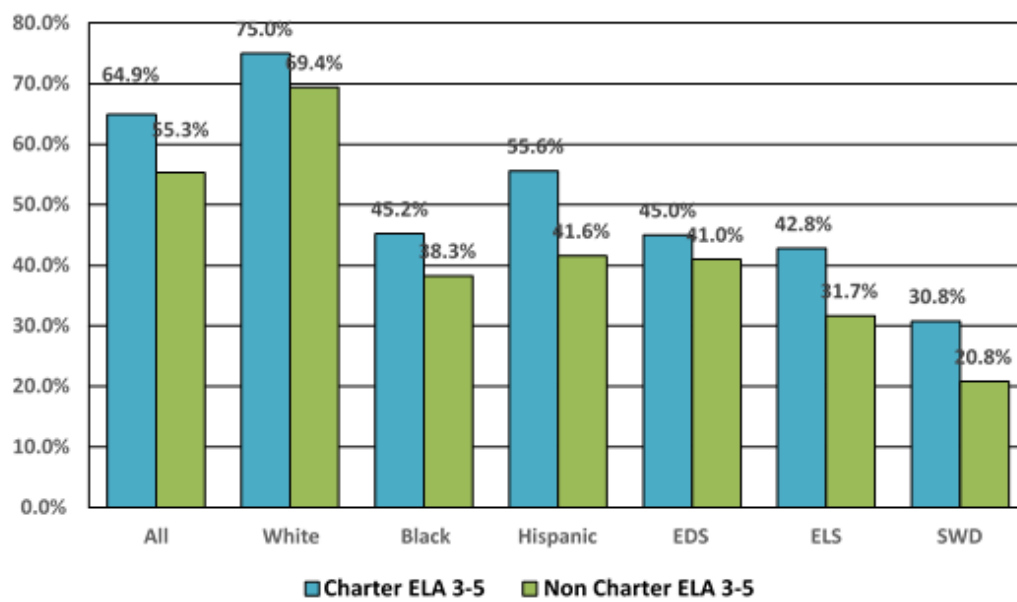
Percent of Students Scoring a Level 3 or Above on English/Language Arts EOC/EOG



Charter Schools and Non-Charter Schools

Elementary Subgroup Comparisons 2018

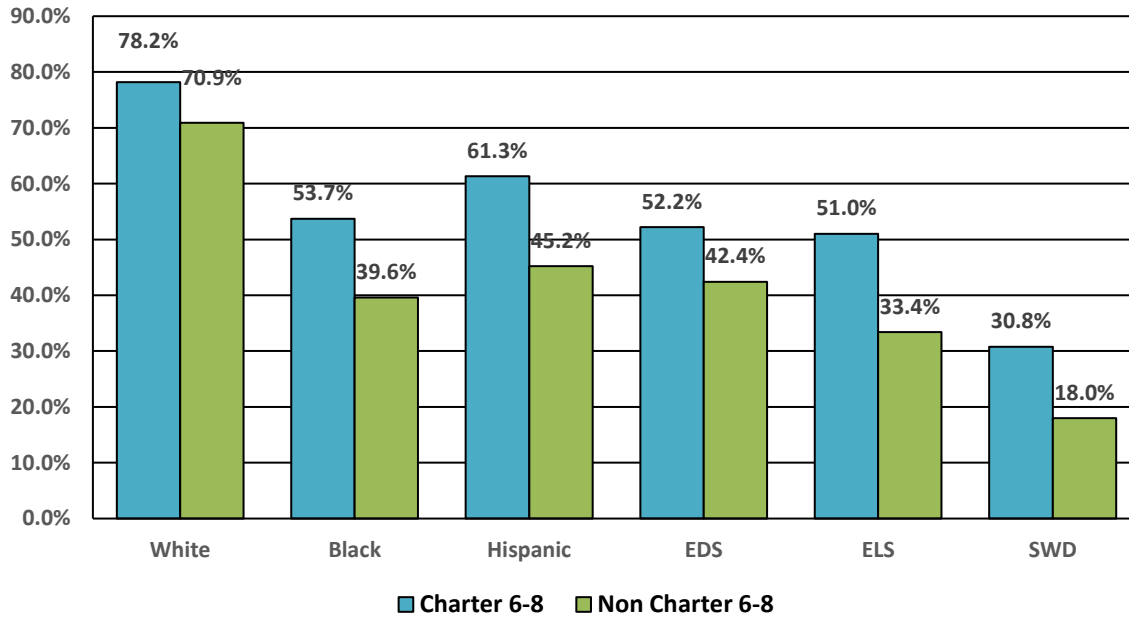
Percent of Students Scoring a Level 3 or Above on English/Language Arts EOG



English/Language Arts Performance

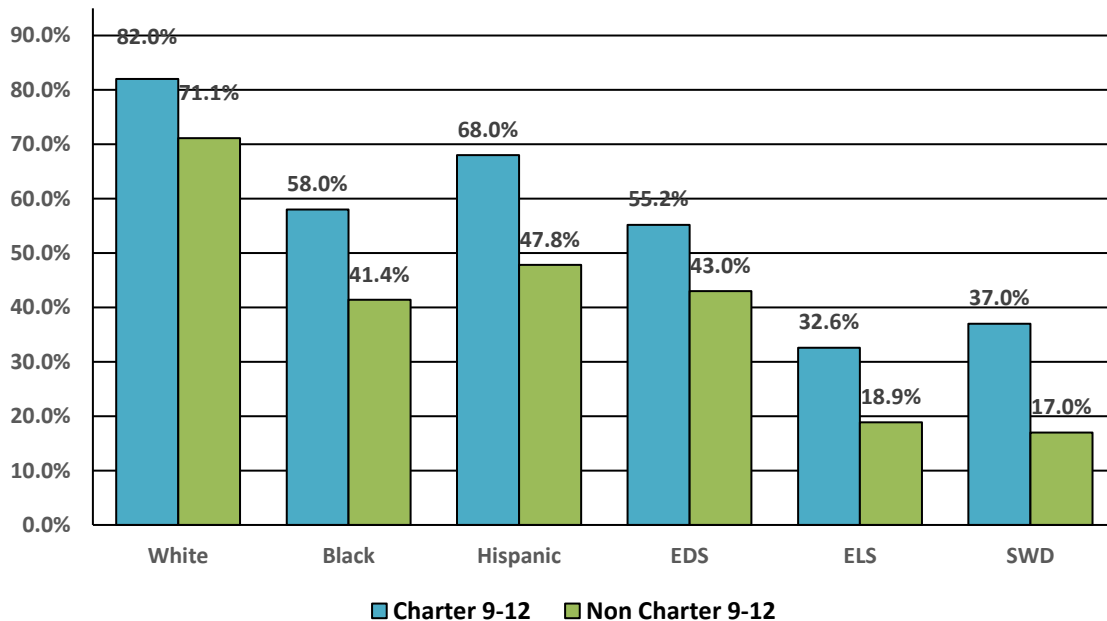
English Language Arts Charter Schools and Non-Charter Schools Middle School Subgroup Comparisons 2018

Percent of Students Scoring a Level 3 or Above on English/Language Arts EOG



English Language Arts Charter Schools and Non-Charter Schools High School Subgroup Comparisons 2018

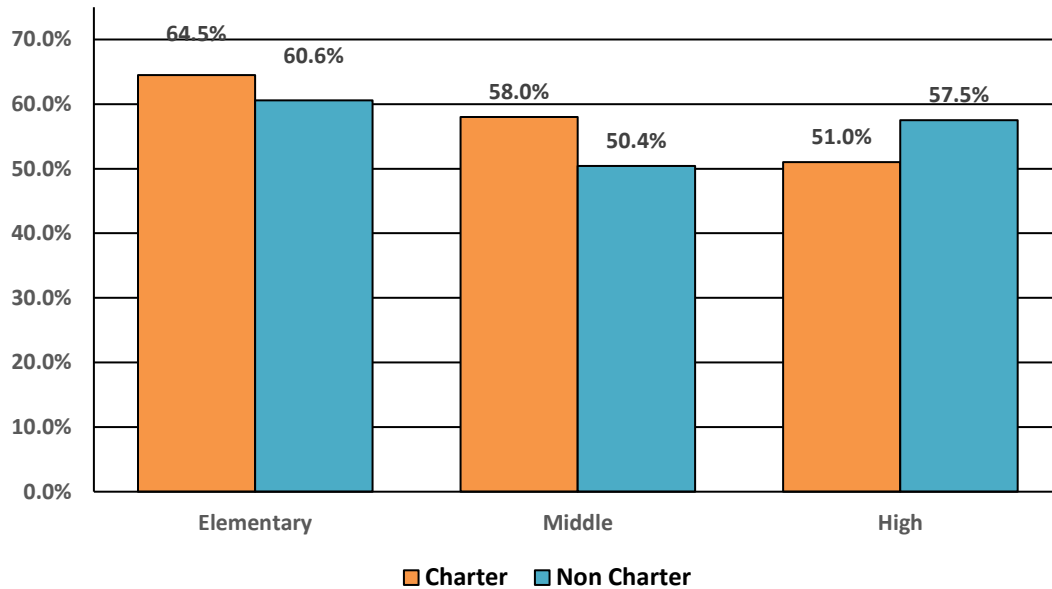
Percent of Students Scoring a Level 3 or Above on English/Language Arts EOC



Mathematics Performance

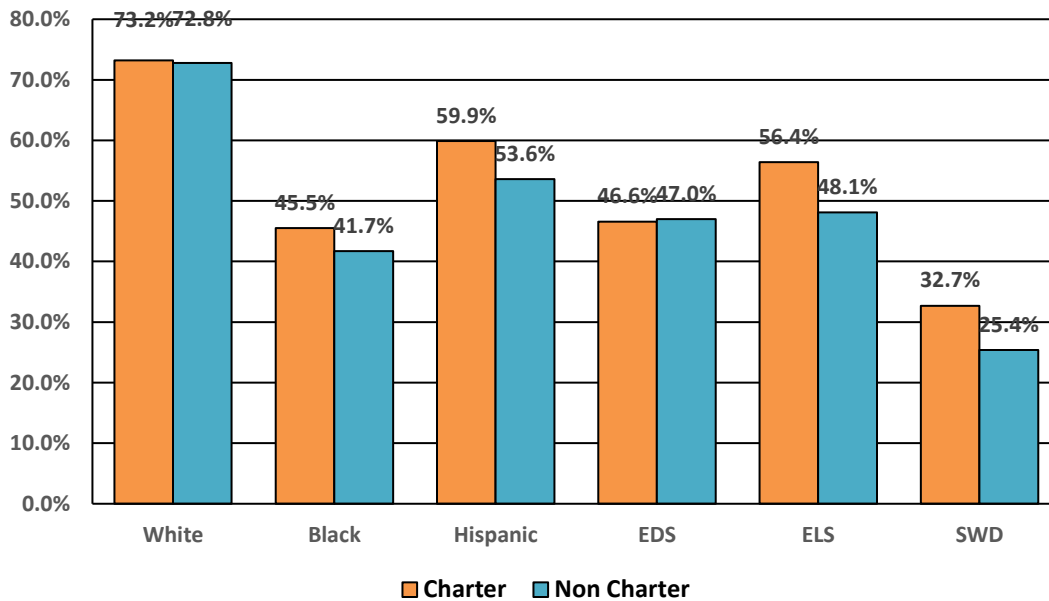
Mathematics Charter Schools and Non-Charter Schools All Students Comparisons 2018

Percent of Students Scoring a Level 3 or Above on Math EOC/EOG



Mathematics Charter Schools and Non-Charter Schools Elementary (3-5) Subgroup Comparisons 2018

Percent of Students Scoring a Level 3 or Above on Math EOC/EOG



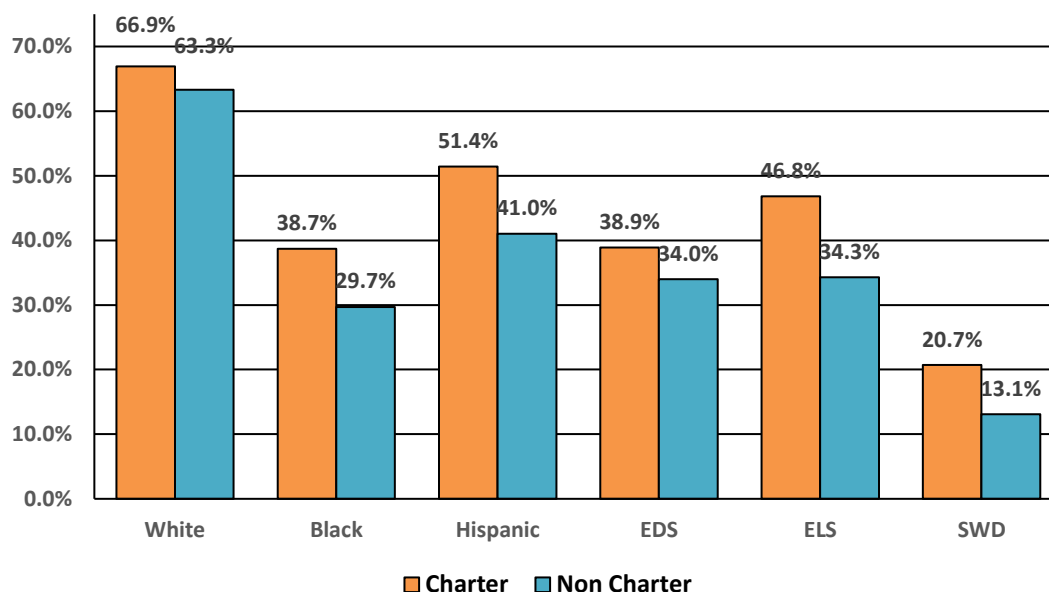
Mathematics Performance

Mathematics

Charter Schools and Non-Charter Schools

Middle School (6-8) Subgroup Comparisons 2018

Percent of Students Scoring a Level 3 or Above on Math EOC/EOG

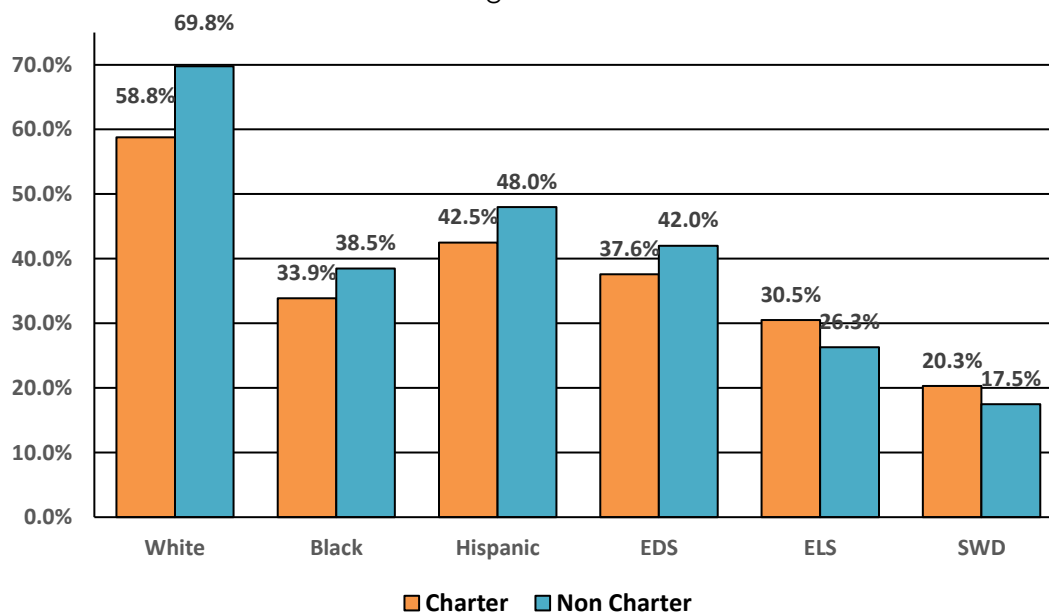


Mathematics

Charter Schools and Non-Charter Schools

High School (9-12) Subgroup Comparisons 2018

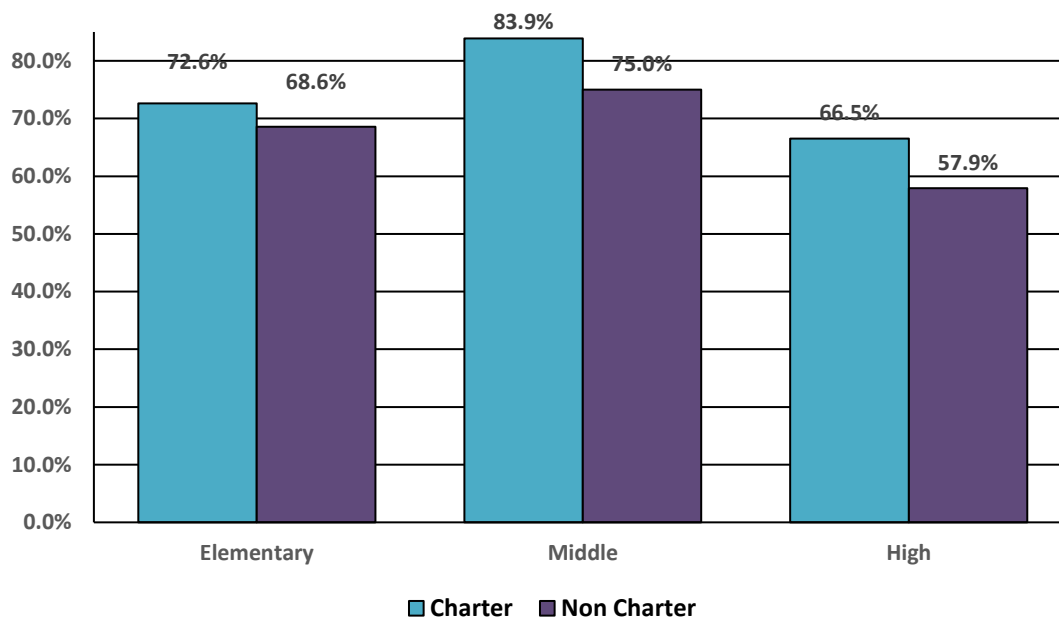
Percent of Students Scoring a Level 3 or Above on Math EOC



Science Performance

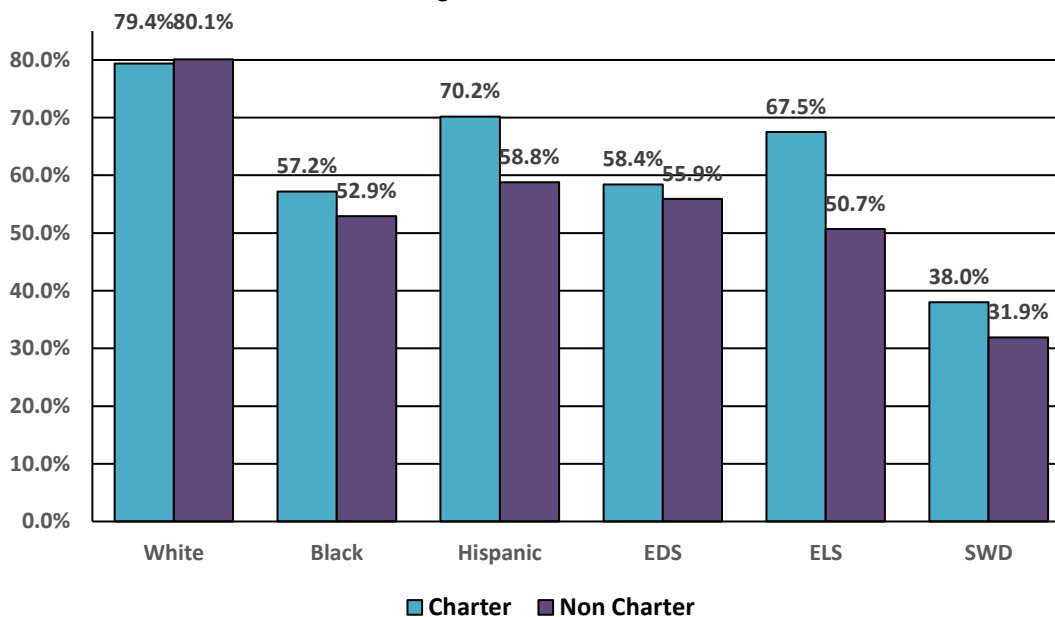
Science Charter Schools and Non-Charter Schools All Students Comparisons 2018

Percent of Students Scoring a Level 3 or Above on Science EOC/EOG



Science Charter Schools and Non-Charter Schools Elementary (3-5) School Subgroup Comparisons 2018

Percent of Students Scoring a Level 3 or Above on Science EOC/EOG

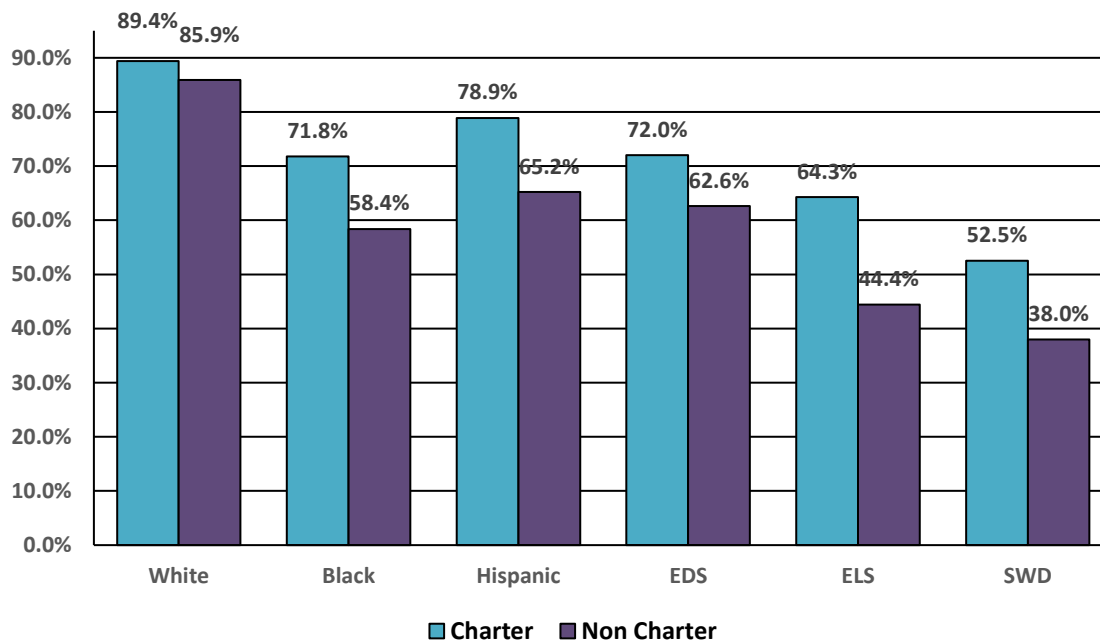


Science Performance

Charter Schools and Non-Charter Schools

Middle School (6-8) Subgroup Comparisons 2018

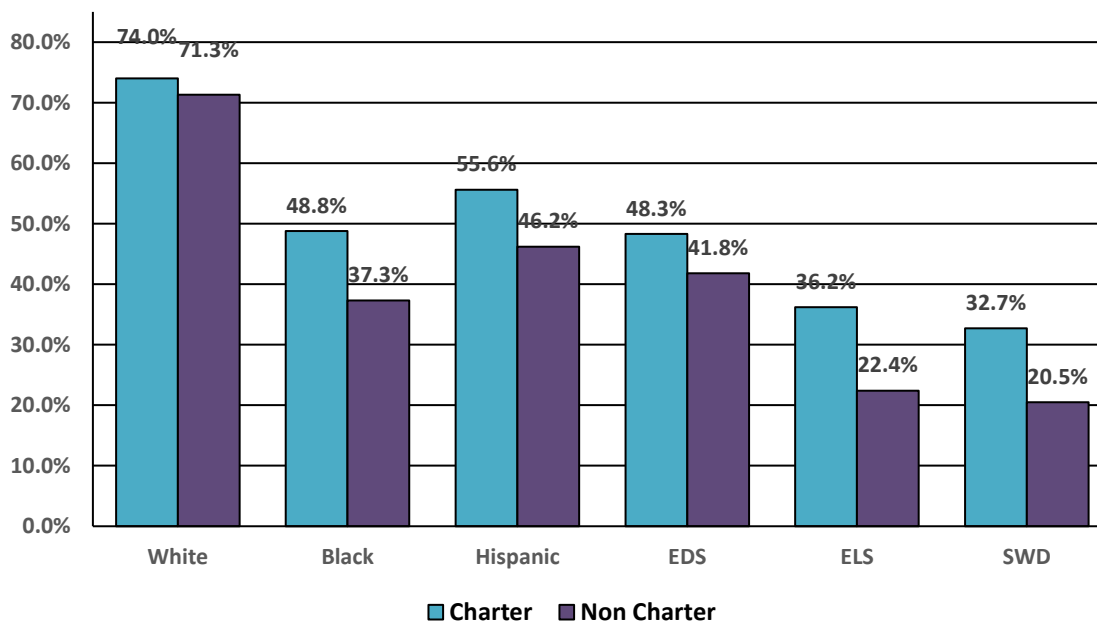
Percent of Students Scoring a Level 3 or Above on Science EOC/EOG



Charter Schools and Non-Charter Schools

High School (9-12) Subgroup Comparisons 2018

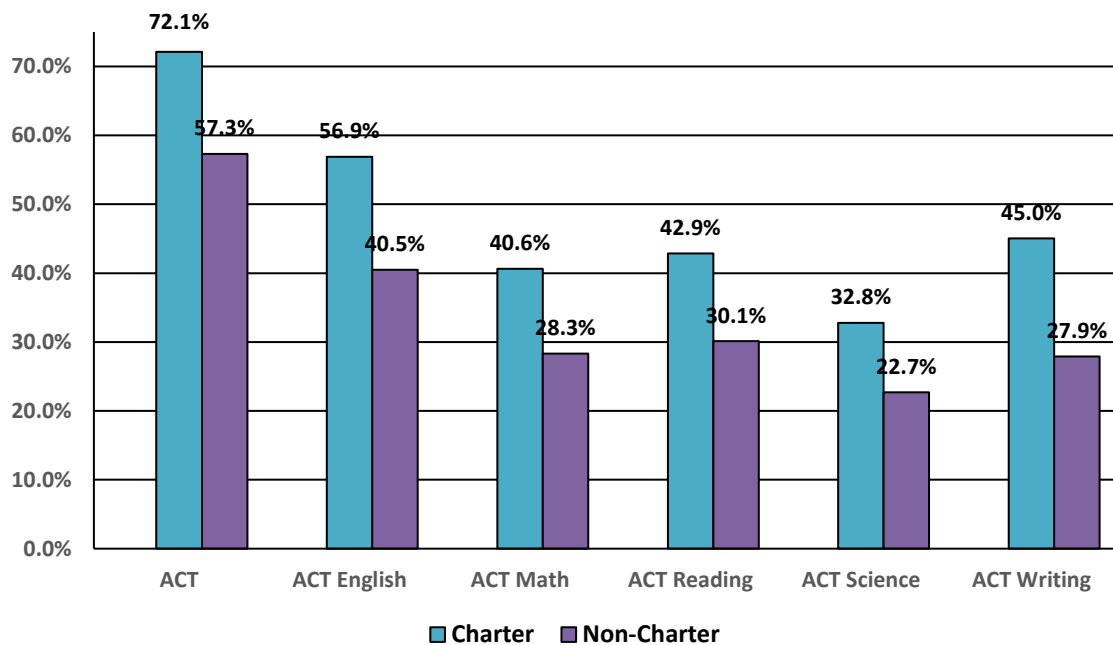
Percent of Students Scoring a Level 3 or Above on Science EOC



ACT Performance

Charter Schools and Non-Charter Schools

Percent of Students Meeting UNC 2017 ACT Benchmark



State Board of Education Strategic Plan: Goals and Measures for Charter Schools

The State Board of Education set targets for charter school academic performance, as measured by school performance grades, school growth, and Low-Performing/Continually Low-Performing status. The chart below shows charter schools' actual results relative to the State Board's goals and targets.

The Office of Charter Schools, Charter Schools Advisory Board, and State Board of Education are committed to providing the supports necessary to ensure that the charter sector is progressing towards the goals outlined in the SBE strategic plan.

In light of the improved academic outcomes seen in charter schools over the past several years, we are confident that through continued support and accountability, the state's charter schools will meet and exceed the expectations set by the State Board.

	Measure	2017-2018	
		Targeted	Actual
2.4.1	Percentage of CS receiving SPG of A or B	43.5%	40.5%
2.4.2	Percentage of CS meeting or exceeding expected annual academic growth	75.0%	68.0%
2.4.3	Percentage of CS meeting or exceeding all financial and operational goals as measured by the Office of Charter Schools' Performance Framework	90.0%	***
2.4.4a	Decrease number of Low Performing Charter Schools	25	28
2.4.4b	Decrease number of Continually Low Performing Schools	9	28

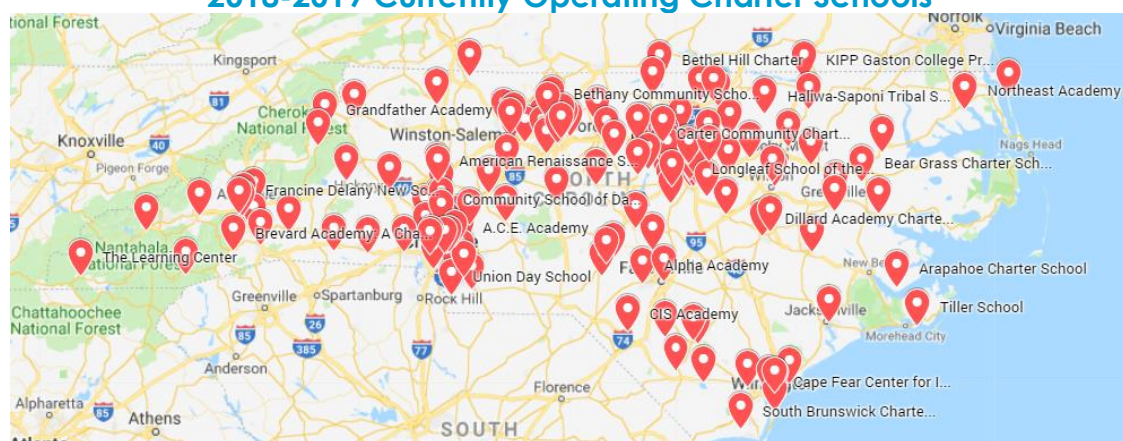
***2018 Performance Framework ratings will be available in January 2019.

Charter Schools' Impact on Local Districts

In 2017-2018, charter school average daily membership (ADM) accounted for 6.6% of the state's total ADM. Of the \$8.93 billion in state funding for public education, 6.5% (or \$580,772,383) was allotted to charter schools.

Unlike local education agencies, charter schools are not bound to serve only the students residing within a particular county or district. Many charter schools serve students from multiple districts, which often poses challenges related to transportation and funding allocations. Given the large number of districts from which a charter school may enroll students, it is difficult to pinpoint the specific fiscal impact of a given charter school on its "home district."

2018-2019 Currently Operating Charter Schools



Other potential impacts of charter schools on local districts include relieving overcrowding, supplementing educational offerings currently available to parents, and reducing the financial strain on districts of building new facilities.

Prior to 2013, the State Board of Education was required by legislation to solicit impact statements from LEAs when new applications for charters were being considered or when existing charter schools wanted to grow beyond what was normally allowed within the statute. The General Assembly removed the requirement that LEAs submit impact statements, but the State Board has continued to consider comments from school districts in situations involving charter school enrollment growth.

Ensuring Accountability and Autonomy in North Carolina's Charter Schools

As schools of choice, charter schools are accountable to parents and guardians, who may withdraw their student(s) and re-enroll them elsewhere, should the school not meet their expectations. However, the North Carolina General Assembly and State Board of Education have approved several additional, concrete measures through which charter schools are held accountable to stakeholders:

- 1) Per General Statute 115C-218.25, all charter school boards are subject to the Open Meetings Laws and must publish the board meeting schedule on their website.
- 2) Per General Statute 115C-218.25, all charter schools are subject to the Public Records Act and must promptly comply with citizen requests.
- 3) Per General Statute 115C-218.90(b), all charter schools must adopt a criminal history check policy mirror that of the local school administrative unit in which the school is located. Further, all charter school board members must have criminal background checks.
- 4) Per General Statute 115C-218.85(3) and SBE policy CHTR-001, all charter schools are required to conduct the student assessments required by the SBE. Further, all charter schools are required to comply with North Carolina's Accountability Model, unless otherwise approved by the SBE. Currently three charter high schools have been approved for an alternative accountability model.
- 5) Per General Statute 115C-218.30 and SBE policy CHTR-006, every charter school is required to undergo an annual audit for both its finances and its compliance with applicable federal and state laws and policies. These audits conducted by an independent auditor approved by the Local Governance Commission, and the audit must be published on the school's website. (LGC Audit Requirements located in Appendix B)
- 6) Per General Statute 115C-218.94 and SBE policy CHTR-010, every charter school identified as Low Performing or Continually Low Performing is required to come before the Charter School Advisory Board and outline their plan for improving student achievement.
- 7) Goal 2, Objective 2.4 of the SBE's Strategic Plan is to "Increase the number of schools meeting academic, operational, and financial goals." Annually, the Office of Charter Schools' Performance Framework serves as the standard mechanism for reporting on progress toward achievement of these goals. The framework provides a consolidated view of the school's performance relative to a list of academic, operational, and financial requirements. The academic elements of the Framework are all standard indicators provided by the State accountability system. The operational and financial elements of the Framework are all required by General Statute, State Board Policy, or the Charter Agreement. This yearly compliance review involves divisions across the entire

Department of Public Instruction (such as Exceptional Children and Financial Business Services) and ensures that charter schools are also in compliance with federal reporting requirements. (Performance Framework Guidelines located in Appendix C)

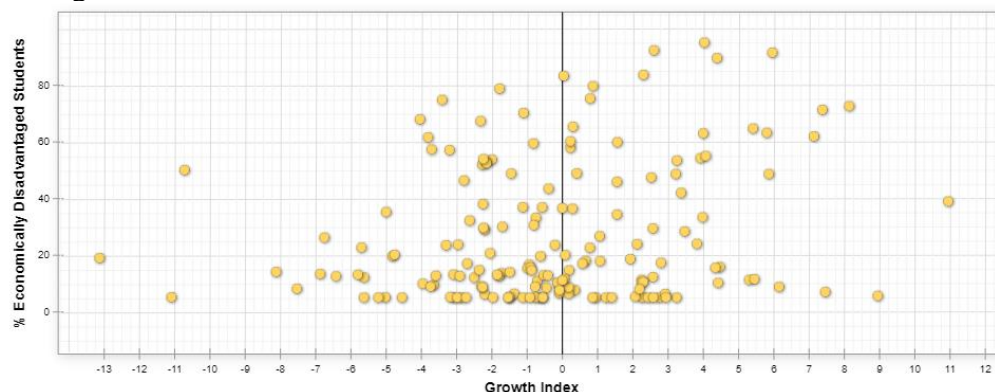
- 8) Per General Statute 115C-218.6 and SBE policy CHTR-007, every charter school is required to undergo a rigorous renewal process prior to having their charter term extended. Schools not meeting the expected academic, financial, and/or governance standards are subject to renewal terms of 7, 5, 3 years or non-renewal. (Renewal Policy and Framework located in Appendix A)

Best Practices Resulting from Charter School Operations

High Academic Growth with Disadvantaged Student Populations

One of the six legislative purposes of charter schools in North Carolina is to increase learning opportunities for all students, particularly those who are identified as at-risk of academic failure. One measure of excellence for charter schools is achieving high academic growth with a student population that is economically disadvantaged. The figure below illustrates the growth index achieved by each school compared to the percentage of economically disadvantaged students who were assessed in End of Course or End of Grade assessments in 2017-2018.

It is important to note that the ED% in the chart below is reflective of the percentage of economically disadvantaged students in tested grades only as opposed to the school as a whole. Further, because charter schools are not required to participate in the National School Lunch program, there is no standard manner in which to accurately capture the ED student population enrolled in charter schools. This may result in ED populations being largely underreported amongst charter schools.



Based on this data, seven schools had an ED population (in tested grades) over 70% and exceeded growth by achieving an EVAAS growth score of greater than +2:

- Global Scholars Academy
- Carter Community Charter
- Maureen Joy Charter School
- Sugar Creek Charter
- Dillard Academy
- PreEminent Charter*

- Gate City Charter*

*These schools were able to achieve extremely high growth with indices of 6 or greater.

Charter Schools Receiving Special Awards and Recognition

Moore Montessori Community School was awarded a \$400,000 grant from the U.S. Department of Education to cover two years of expenses related to opening a new school.

Socrates Academy was named a 2018 National Blue Ribbon by the U.S. Secretary of Education. The recognition is based on a school's overall academic performance or progress in closing achievement gaps among student subgroups.

Research Triangle High School was awarded a \$50,000 grant through the 2017-2018 Digital Learning Initiative, and Pioneer Springs Community School was awarded \$14,050 in the 2018-2019 grant cycle. These grants are intended to support the development and dissemination of local innovative digital learning models.

Raleigh Charter High School was ranked #64 nationally in *US News and World Report's* Best High Schools National Rankings. Additionally, eight of the state's top 20 high schools (as ranked by *US News and World Report*) were charter schools.

NORTH CAROLINA STATE BOARD OF EDUCATION

Policy Manual

Item	Description
Policy Title	Charter School Renewal Process
Policy Category	CHTR
Policy ID	CHTR-007
Policy Date	10/04/2018
Previous Policy Dates	06/01/2000, 09/13/2001, 12/04/2003, 10/05/2006, 03/02/2017
Statutory Reference	G.S. 115C-218.6

Formerly TCS-U-007

General Information

It is stated in G.S. 115C-218.6 that the original charter with the NC State Board of Education may be granted for up to ten years. It is also stated that the charter may be extended or renewed for up to ten years. Therefore, a process for exercising the renewal option is needed. The North Carolina Charter Schools Renewal Report (NCCSRR) is intended to be such a document.

The North Carolina Charter Schools Renewal Report (RR)

The NC Charter Schools Renewal Report (NCCSRR) is intended to permit the North Carolina State Board of Education (NCSBE) the time to review the information needed to evaluate the progress of the submitting charter school. The renewal process should also be one that will guide charter schools through a self-assessment that becomes an update to the original application and a “roadmap” to future improvement. Furthermore, as a public document, the NCCSRR shall be made available to federal, state, and local educators, policy makers, parents, and the community. It should be constructed with this in mind.

Process for Renewal

A completed charter schools renewal report will consist of at least two sections.

Section 1: THE CHARTER SCHOOLS SELF-STUDY (completed by the school).

This section contains questions related to the viability of the charter school’s academic program, governance structure, and business operations. It will be suggested that this portion be undertaken by a team of people having the ability to look objectively at the entire school and identify ways to

further strengthen and align the existing program to its mission and the desires of the community that it serves.

▪ THE RENEWAL SELF-STUDY PROCESS

Each charter school seeking renewal *shall* complete the Renewal Self-study first. Summaries should be written in a concise manner and free of jargon. Charter schools' administrators will be encouraged to seek outside assistance.

The self-study *shall* contain the following in this order:

1. COVER PAGE. Each report will begin with a one-page fact sheet that contains the name and contact information for the school, the name of the principal including phone/fax /E-mail, contact information for the board chairperson, and the date of submission of the report.
2. LETTER OF INTENT. Following the cover page is a formal letter signed by the Board Chairperson stating the Board's intent to seek renewal.
3. TABLE OF CONTENTS. All pages of the NCCSRR will be numbered consecutively. The Table of Contents will allow easy access to the various sections. No font smaller than 12 point should be used and all reports should be typed or computer prepared (the report may be downloaded in word format from the DPI website).
4. EXECUTIVE SUMMARY. An executive summary of the self-study is next. This begins with the school's mission statement and consists of no more than two typed pages.
5. SUPPORTING DOCUMENTATION. The body of the self-study contains various evidence of the success of the students and the progress towards the charter school's goals as outlined in the charter application.

Section 2: DEPARTMENT OF PUBLIC INSTRUCTION REPORT (submitted by offices of DPI).

This section will consist of responses from the Office of Charter Schools, School Business, Accountability, Exceptional Children, and any other office or service of the Department that may have information pertinent to the evaluation of the school. All reports from DPI will be submitted to the Office of Charter Schools. The Office of Charter Schools will forward all reports to the Charter Schools Advisory Board (CSAB) for review.

- **NC DEPARTMENT OF PUBLIC INSTRUCTION CONTRIBUTIONS TO CHARTER SCHOOLS RENEWAL**

The NC Department of Public Instruction, coordinating its efforts through the Office of Charter Schools, will be asked to assist the Charter Schools Advisory Board in its effort to collect information relative to the renewal of the charter. The following chart is an overview of possible sources of documentation and resources for this information. This is, in no way, an exhaustive list and is not meant to, in any way, limit the resources employed by the schools seeking renewal, the Charter Schools Advisory Board, or the State Board of Education (NCSBE) as they prepare for the future of charter schools.

AREAS OF COMPLIANCE	SOURCES OF DOCUMENTATION	SOURCES OF INFORMATION
FINANCIAL	Audit report, financial records, reporting schedule, student accounting, etc.	School Business, Office of Charter Schools
GOVERNANCE	Concerns brought to the Office of Charter Schools, board agendas and minutes, review of policy making committees, interviews	Office of Charter Schools
INSTRUCTION	School site visits by the Office of Charter Schools educational consultants	Office of Charter Schools
ACCOUNTABILITY	NC accountability results, EC compliance records, Student Information System	Div. of Accountability Services, Div. of Ex. Children Services

Notes:

G.S.115-218.100 Funds Reserved:

G.S. 115C-218.100 addresses Funds Reserved for charter schools choosing to participate in the North Carolina Retirement System. All entities should read the statute in its entirety to fully understand any implications for your charter school.

Reports from the above DPI departments will be sent to the Office of Charter Schools, copied to the charter schools, and forwarded to the Charter Schools Advisory Board.

TENTATIVE TIMELINE FOR RENEWAL

DATE:	ACTION:	By Whom:
<i>August of year 1</i>	A memo explaining the renewal process along with the self-study are sent to the administrators at each school up for renewal.	Office of Charter Schools (OCS) Consultant in charge of renewals sends out the memo.
<i>September of year 1</i>	An invitation for a webinar is sent to the administrator. The webinar is held for those administrators beginning the renewal process.	OCS Consultant responsible for renewals will provide webinar.
<i>October of year 1</i>	Compliance meetings are held with all applicable departments for schools that are in the renewal process.	OCS Consultant responsible for renewals will send out information to agencies informing them of schools currently in the renewal process.
<i>December of year 1</i>	Compliance information is shared with schools.	OCS Consultant responsible for renewals shares compliance information with schools.
<i>December of year 1</i>	Schools submit their self-study and renewal fee.	Schools are responsible for turning in the self-study as well as the renewal fee.
<i>February of year 1</i>	Schedule renewal site visits.	OCS Consultant responsible for renewals will work with schools to schedule the renewal visit.
<i>February-September of year 1</i>	Renewal site visits conducted.	OCS Consultant responsible for renewals and one or more consultants will visit schools.
<i>September of year 1-September of year 2</i>	Renewal site visit summaries completed for each school.	Team members from each visit will make sure the visit is documented for presentation to Charter School Advisory Board(CSAB)
<i>September of year 2</i>	Compliance meetings are held with all sections for schools that are in the renewal process.	Data sheets will be reviewed by all parties providing feedback.

<i>September of year 2</i>	Information that will be shared with the Charter School Advisory Board (CSAB) is sent to each school for review. (Renewal visit summary, data, and compliance.)	The OCS Consultant responsible for renewals will send this information to charter school administrators.
<i>October of year 2</i>	Charter School Advisory Board (CSAB), meets regarding renewals.	OCS Consultant responsible for renewals will present to Charter School Advisory Board(CSAB)
<i>October of year 2</i>	Schools are notified if the Charter School Advisory Board (CSAB) would like to interview them in November.	OCS Consultant will send an email to any school in the renewal process that has been requested for interview.
<i>November – December of year 2</i>	Charter School Advisory Board (CSAB) interviews schools and make recommendations to the State Board of Education.	Charter School Advisory Board (CSAB) recommendations are forwarded to the State Board of Education.
<i>December-February of year 2</i>	The State Board of Education reviews Charter School Advisory Board (CSAB) recommendations regarding renewals.	In January, the State Board of Education will make renewal decisions for all schools in the renewal process.

A. REQUIREMENTS FOR RENEWAL

To receive a recommendation for renewal, the school must meet the requirements outlined in 115C.218.6 which states:

- (a) The State Board of Education shall review the operations of each charter school at least once prior to the expiration of its charter to ensure that the school is meeting the expected academic, financial, and governance standards.
- (b) The State Board of Education shall renew a charter upon the request of the chartering entity for subsequent periods of 10 years, unless one of the following applies:
 - (1) The charter school has not provided financially sound audits for the immediately preceding three years.
 - (2) The charter school's student academic outcomes for the immediately preceding three years have not been comparable to the academic outcomes of students in the local school administrative unit in which the charter school is located.

- (3) The charter school is not, at the time of the request for renewal of the charter, substantially in compliance with State law, federal law, the school's own bylaws, or the provisions set forth in its charter granted by the State Board of Education.

If one of the conditions set forth in subdivisions (1) through (3) of this subsection applies, then the State Board may renew the charter for a period of less than 10 years or not renew the charter."

Comparable is defined as a proficiency score that is no less than 5 points of the LEA's Grade-Level Proficiency (GLP) score based on NC Accountability data.

A General Renewal Guideline is used to determine renewal recommendations. The Charter School Advisory Board may make an alternate recommendation to the State Board of Education not included in the General Renewal Guidelines.

In the case of a charter school that has been designated as an alternative school for purposes of accountability pursuant to policy CHTR-020, the Charter School Advisory Board shall consider the charter school's performance under the accountability model approved for the school pursuant to policy ACCT-038.

GENERAL RENEWAL GUIDELINES*

10 Years	<ul style="list-style-type: none">- No current significant compliance issues- Financially sound audits last 3 years- Academic outcomes have been comparable to the local school administrative unit in the immediately preceding three years or have exceeded growth the last 3 years
7 Years	<ul style="list-style-type: none">- No significant compliance issues last 2 years- Financially sound audits last 2 years- Academic outcomes have been comparable to the local school administrative unit for the last 2 out of 3 years or has exceeded growth the last 2 out of 3 years
5 Years	<ul style="list-style-type: none">- No significant compliance issues last 2 years- Financially sound audits last 2 years- Academic outcomes comparable to the local school administrative unit for the last 2 out of 3 years or has met or exceeded growth for the last 2 out of 3 years- Not currently designated as continually low-performing
3 Years	<ul style="list-style-type: none">- Compliance issues more than 1 year creating a pattern- Inability to provide sound audits for the immediately preceding year- Academic outcomes have been comparable to the local school administrative unit at least 1 year or met growth 2 years out of the immediately preceding 3 years

NON- RENEWAL OR ASSUMPTION	<ul style="list-style-type: none"> - Current and persistent pattern of compliance issues - Financially unsound audits last 2 years of the immediately preceding 3 years - Academic outcomes have not been comparable to the local school administrative unit in any of the immediately preceding 3 years and the school has not met growth in the last 2 years - Recurring low-performance grade of D or F and a growth score of "met expected growth" or "not met expected growth" for the immediately preceding 3 years
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***Any renewal of the Charter can be revoked according to SBE Policy CHTR-010.**

***CSAB and NCSBE reserve the right to add stipulations to any renewal period.**

B. CORRECTION OF DEFICIENCIES

Any areas of noncompliance requires a charter school to create a Corrective Action Plan. The action plan shall address what the deficiencies are, how the school will proceed in correcting the deficiencies, which parties will be responsible for implementation of the plan, and when implementation will take place. The CSAB and the appropriate division(s) of DPI shall set the parameters for completion of the action plan and its implementation. The period for completion of the action plan and its implementation may not extend beyond the end of the first semester of the final year of the school's current charter. If the CSAB and the DPI determine that implementation of the action plan has corrected the school's deficiencies the CSAB **may** recommend renewal of the school's charter.

Notwithstanding the foregoing, the CSAB may at any time recommend that the NCSBE initiate revocation proceedings of the charter of any school in accordance with 115C-218.6.

STATE PUBLIC SCHOOL FUND (CHARTER SCHOOLS)

State Authorization: North Carolina General Statute, Chapter 115C-218, Article 14A

N. C. DEPARTMENT OF PUBLIC INSTRUCTION

Agency Contact:

Program

David Machado, Director
Office of Charter Schools
Financial & Business Services
David.Machado@dpi.nc.gov (919) 807-3491

Financial

Irwin Benjamin, Section Chief
Division of School Business
Monitoring and Compliance Section
Irwin.Benjamin@dpi.nc.gov (919) 807-3364

N.C. DPI Confirmation Reports:

Confirmation of Funds Expended and/or Disbursed from the State Public School Fund and Federal Programs 2016-17 will be available at the [NC DPI School Business Division Annual Reports Application](#). The system provides an electronic view of Year-to-Date (YTD) financial reports in response to requests for confirmation from independent auditors.

The auditor should **not** consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor **can** consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

I. PROGRAM OBJECTIVES

The objective of the State Public School Fund is to provide monies to the Local Education Agencies (LEAs) and Public Charter Schools for the basic education, enrichment and strengthening of educational opportunities for the children of the State of North Carolina.

II. PROGRAM PROCEDURES

The State Public School Fund is administered through the State Board of Education (SBE) and the Department of Public Instruction (DPI). The State Board of Education establishes policies and procedures to implement legislative requirements to provide the charter schools with a uniform system of accounting for and reporting on the appropriations and the current operating expenditures. Allotments in the form of dollars are provided to the charter schools by DPI based on their first month average daily membership (ADM) of student population. Each charter school receives an amount equal to the State per pupil allocation for the LEA in which the charter school resides, multiplied by their first month ADM. State funds for children with special needs are included in the charter school’s State allotment based on the number of children included on the correlating April 1 headcount. Allotment reports are sent from the School Allotment Section of the Division of School Business notifying the charter school of the amount of State funds that they

have available. DPI publishes monthly Cash Certification Calendars establishing deadlines for requesting funds to assist the charter schools with their cash management efforts. The charter schools have access to request State funds five (5) days per week, except for banking holidays, so that funds may be deposited no more than two business days prior to the date of disbursement. The charter schools must enter requests for funds for a particular Funds Requirement Date according to the deadlines established on the Cash Certification Calendar. Once approval is received from the State Controller's Office, DPI processes the requests so that the funds are transferred by the State Treasurer to the respective public charter school's local bank account after 2:00 p.m. on the Funds Requirement Date.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

A. Compliance Requirement - The charter schools must comply with applicable North Carolina General Statutes and particularly applicable sections of Chapter 115C, e.g., Article 14A and Article 31. In addition, the State Board of Education has authority to issue rules and regulations through the [Allotment Policy Manual](#) and letters/memos with which charter schools must comply.

Audit Objective - To determine that the Charter School is complying with the requirements of the applicable North Carolina General Statutes, maintaining their records according to generally accepted accounting principles, and expending state allotted funds in compliance with G.S. 115C-218.105.

Suggested Audit Procedures:

Salary Related Procedures:

- Obtain the payroll register for selected period(s) and select a sample of disbursements to determine that personnel are serving in assignments consistent with the expenditure coding in the Uniform Chart of Accounts.
- If the charter school has elected to participate in the State Health Plan or any other health insurance program, review the withholding from employee paychecks to determine that the deductions are in accordance with plan provisions. Verify that employee deductions and employer's matching contribution have been remitted as required.
- If the charter school has elected to participate in the Teachers' and State Employees' Retirement System, review records to determine that the employee withholding and employer's matching requirements have been met. Verify that employee deductions and employer's matching contribution have been remitted as required.
- If the charter school has elected to participate in the Teachers' and State Employees' Retirement System, review records to determine that the charter school is requesting reimbursements for short-term disability (beyond the first six months) from the Retirement System on a timely basis.

B. Compliance Requirement - Verify that amounts due to all state, federal, and local taxing authorities have been remitted timely. Any penalties and interest incurred or paid during the current fiscal year should be disclosed.

Audit Objective - To determine that the charter school is remitting amounts due to all state, federal, and local taxing authorities on a timely basis, and that all penalties and interest incurred have been properly recorded in the financial statements.

Suggested Audit Procedures:

- Trace payroll records to federal forms 941, 940, and W-4.
- Trace payroll records to state Employer's Quarterly Tax and Wage Report, and to Employment Security Commission filings. Verify that reports have been filed timely.
- Disclose any penalties and interest incurred or paid during the current fiscal year in the notes to the financial statements. Verify that penalties and interest have been properly recorded in the financial statements.

2. Allowable Costs/Cost Principles

Addressed in the NC Department of Public Instruction Cross-cutting Requirements.

Additional Compliance Requirement - The charter schools must comply with N.C.G.A Session Law 2015-241, Section 6.26, CAP STATE FUNDED PORTION OF NONPROFIT SALARIES - No more than one hundred twenty thousand dollars (\$120,000) in State funds may be used for the annual salary of any individual employee of a nonprofit organization receiving State funds. For the purposes of this section, the term "State funds" means funds as defined in G.S. 143C-1-1(d)(25) and any interest earnings that accrue from those funds.

Audit Objective – To determine that the Charter School is complying with the requirements of N.C.G.A Session Law 2015-241, Section 6.26.

Suggested Audit Procedures: Sample payroll records to ensure state funds are not used for Charter School employee salaries in excess of \$120,000 annually.

3. Cash Management

Compliance Requirement – The local auditor is not required to test compliance with this requirement. Cash request procedures detailed in the Program Procedures is for information only. DPI monitors compliance with the Cash Management requirements.

4. Conflict of Interest

Compliance Requirement – Per G.S. 115C-218.15, all charter schools shall be accountable to the State Board for ensuring compliance with applicable laws and the provisions of their charters. SBE Policy, CHTR-006, requires the following:

(1) Conflict of Interest - The Nonprofit board of directors shall adopt and ensure compliance with a conflict of interest and anti-nepotism policy. This policy shall include, at a minimum, the following provisions:

1. No voting member of the governing board shall be an employee of a for-profit company that provides substantial services to the charter school for a fee.

2. (a) Prior to employing any immediate family, as defined in G.S. 115C-12.2, of any member of the board of directors or a charter school employee with supervisory authority shall be employed or engaged as an employee, independent contractor, or otherwise by the board of directors in any capacity, such proposed employment or engagement shall be:

(i) disclosed to the board of directors and

(ii) approved by the board of directors in a duly called open-session meeting. (b) The burden of disclosure of such a conflict of interest shall be on the applicable board member or

employee with supervisory authority. If the requirements of this subsection are complied with, the charter school may employ immediate family of any member of the board of directors or a charter school employee with supervisory authority.

3. A requirement that a person shall not be disqualified from serving as a member of a charter school's board of directors because of the existence of a conflict of interest, so long as the person's actions comply with:

- a. the school's conflict of interest policy established as provided in this subsection; and
- b. applicable law

4. No teacher or staff member that is immediate family of the chief administrator shall be hired without the board of directors evaluating their credentials, establishing a structure to prevent conflicts of interest, and notifying the Department, with evidence, that this process has occurred.

5. The requirements of Chapter 55A of the General Statutes related to conflicts of interest.

(2) Anti-Nepotism - Local boards of education shall adopt policies requiring that before any immediate family of any board of education member or central office staff administrator, including directors, supervisors, specialists, staff officers, assistant superintendents, area superintendents, superintendents, or principals, shall be employed or engaged as an employee, independent contractor, or otherwise by the board of education in any capacity, such proposed employment or engagement shall be (i) disclosed to the board of education and (ii) approved by the board of education in a duly called open-session meeting. The burden of disclosure of such a conflict of interest shall be on the applicable board member or central office staff administrator (CHTR-006(IIG1); G.S. 115C-47)

Audit Objective – To determine that the Charter School Board of Directors has approved conflict of interest and anti-nepotism policies on file and required statements have been completed and signed.

Suggested Audit Procedures:

- Verify that the Charter School Board of Directors has an approved conflict of interest policy on file.
- Verify that the Charter School Board of Directors has an approved nepotism policy on file.
- Inspect documents for evidence of a conflict of interest and nepotism with school employees and /or the board of directors and vendors providing services or supplies to the school.
- Verify that no voting members of the governing board are an employee of a for-profit company that provides substantial services to the charter school for a fee.

5. Eligibility

A. Compliance Requirement - The State Board of Education has the authority to apportion and equalize over the State all state school funds for assistance to educational programs within or sponsored by the public school system of the State. (G.S. 115C-12(5); G.S.115C-218.105)

Suggested Audit Procedure - The auditor is not expected to make tests for this eligibility compliance requirement.

B. Compliance Requirements - The federal and state funds allocated as part of the State Public School Fund to serve children with disabilities are intended to provide the additional costs of such programs beyond the regular program costs intended for the benefit of all children. These additional funds may be used for children with disabilities who are between the ages of three through 21, and children with limited English proficiency. (Federal funds may only be used for students with disabilities.) A child with a disability cannot be counted twice in the child count for state funding.

State Board of Education policy LICN-002 requires the designation of appropriate licensure prior to employment for positions requiring licensure. Formal documentation indicating agreement by DPI, Division of Human Resources Management to the certified area(s) appropriate for the proposed program employment should be present.

The disbursements for children with disabilities (purpose code 5200) must be made in accordance with Policies Governing Services for Children with Disabilities, Amended – July 2014. <http://ec.ncpublicschools.gov/policies/nc-policies-governing-services-for-children-with-disabilities/policies-children-disabilities.pdf>

Audit Objective – To determine that documentation on each child supports the inclusion as a child with a disability on the child count in question, to ensure that appropriately licensed teachers are serving the children with disabilities, and to determine that the disbursements for children with disabilities were made in accordance with Policies Governing Services for Children with Disabilities, Amended – July 2014.

Suggested Audit Procedures:

- Determine that disbursements for children with disabilities (purpose code 5200) were made in accordance with Policies Governing Services for Children with Disabilities.
- Determine that teachers for children with disabilities are appropriately licensed according to North Carolina licensure standards for children with special needs.
- Select a sample of children with special needs and perform the following tests: (If the derivative is greater than => 10%, expand the sample to determine if the entire 'Children with Disabilities' is off in its reporting.).
 - a) Determine that documentation on each child supports the inclusion as a child with a disability on the child count in question.
 - b) Determine if evidence of an Individualized Education Program (IEP) is in place on the child count date.
 - c) Determine if there is a Permission to Place form (DEC 6 [if placement is after school year 1997-98] or DEC 7 [if placement was prior to school year 1997-98]).
 - d) The student is appropriately classified on the child count roster, i.e., a student classified as OH in the student record is classified as OH on the child count roster.
 - e) A student record is available for each student selected for review.

6. Equipment & Real Property Management

Addressed in the NC Department of Public Instruction Cross-cutting Requirements.

Additional Compliance Requirement – Funds allocated by the State Board of Education may be used to enter into operational and financing leases for real property or mobile

STATE PUBLIC SCHOOL FUND (CHARTER SCHOOLS)

classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities or equipment. However, State funds shall not be used to purchase, or to obtain a loan to purchase real property or mobile classroom units (G.S. 115C-218.105(b)).

Audit Objective – To determine whether any State funds have been used to obtain any interest, other than those defined in G.S. 115C-218.105(b), in real property or mobile classroom units and ensure the required state language is included in all contracts.

Suggested Audit Procedure - Evaluate all purchases of real property or mobile classroom units for compliance with this General Statute.

8. Period of Availability of State Funds

Compliance Requirement – It is the State Board of Education’s policy that the State Public School Funds appropriated in the current fiscal year are used to pay for obligations incurred during the same fiscal year. An obligation incurred in violation of this policy is invalid and may not be enforced. No prepayment of expenditures is permitted with State funds.

Audit Objective – To ensure that funds allotted in the current fiscal year are used to pay for obligations incurred during the current fiscal year.

Suggested Audit Procedures – Select a sample of the general expenditure disbursements made from the State Public School Fund during the period of July through September for the fiscal year being audited and perform the following tests:

- Examine the invoices and verify that the expenditures are for the current fiscal year only. If the invoices paid are for a prior or future period obligation, they are invalid and must be refunded.
- As a guideline, the State recommends that if greater than 10% of the invoices selected in the sample above paid for prior or future period obligations, then all expenditures for the period of July through September of the fiscal year being audited should be reviewed. Report the total amount found to have paid for prior or future period obligations as a “Questioned Cost”.

9. Procurement and Suspension and Debarment

Addressed in the NC Department of Public Instruction Cross-cutting Requirements.

Additional Compliance Requirement – “No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions.” Every contract or lease into which a charter school enters shall include the previous sentence. The charter school may own land and buildings it obtains through non-State sources. Charter schools are not bound by any other purchasing requirements. (G.S. 115C-218.105(b))

Audit Objective – To determine that every contract or lease into which the charter school entered includes the sentence referenced above.

Suggested Audit Procedure – Review all contracts and determine that the referenced sentence is included in the contract.

12. Reporting

Compliance Requirement – The charter school shall comply with the reporting requirements established by the State Board of Education in the Uniform Education Reporting System (UERS). (G.S. 115C-218.30(b)). The [North Carolina Public Schools Uniform Chart of Accounts](#), revised annually, should be used to monitor the appropriateness of expenditures. The [North Carolina Public Schools Uniform Chart of Accounts](#) is distributed to each charter school and available online.

Audit Objective – To determine that the Charter School has complied with the reporting requirements established by the State Board of Education in the Uniform Education Reporting System (G.S. 115C-218.30(b)), and the [North Carolina Public Schools Uniform Chart of Accounts](#) was used to monitor the appropriateness of expenditures.

Suggested Audit Procedures:

- Test a sample of expenditures and verify that the account codes used conform to the North Carolina Public Schools Uniform Chart of Accounts for the related expenditure.
- Ensure that only one set of financial books are being maintained and are on the UERS approved financial software.
- Determine that the Charter School is utilizing the UERS approved financial software to issue checks to the ultimate payee, ensuring that the financial software is being used to generate payments, not just to record payments already issued. Manual check entries should be few and documented as to why they were necessary.

14. Special Tests and Provisions

A. Compliance Requirement - The “Budget Balance Reconciliation Report” (JHA705EG) and “Cash Balance Report” (JHA714EG) are put on the Internet monthly by the Division of School Business DPI to be accessed by each charter school. Charter schools must reconcile and adjust their accounting records to the “Budget Balance Reconciliation Report” and “Cash Balance Report” periodically.

Audit Objective – To determine that the charter schools are reconciling their accounting records to the “Budget Balance Reconciliation Report” and “Cash Balance Report” on a monthly basis and making timely adjustments as necessary.

Suggested Audit Procedure – Review evidence that the “Budget Balance Reconciliation Report” and “Cash Balance Report” are being reconciled monthly to the charter school’s financial records, and that all required adjustments are being made when necessary and documented as appropriate. Any adjustments to the information DPI has recorded should be corrected with an adjusting journal entry in the school’s general ledger.

B. Compliance Requirement – In accordance with G.S. 115C-218.15(b), “A charter school shall be operated by a private nonprofit corporation that shall have received federal tax-exempt status no later than 24 months following final approval of the application.”

Audit Objective – To determine that the Charter School is in compliance with G.S. 115C-218.15(b).

Suggested Audit Procedures:

- Review the documentation from the federal government granting tax-exempt status and confirm that tax-exempt status was granted within the required timeline.
- Review documentation to ensure tax-exempt status is being maintained.

C. Compliance Requirement – The school shall obtain and maintain the minimum insurance levels per the Charter Agreement, Section 13 “Insurance and Bonding”. This section does not preclude any charter school from obtaining liability insurance coverage in addition to or in excess of the requirements listed in Section 13 of the Charter Agreement (G.S. 115C-218.20).

Audit Objective – To determine that the Charter School is maintaining the minimum required levels of insurance coverage per the Charter Agreement.

Suggested Audit Procedure – Verify that the school obtained and maintained insurance in the following amounts:

- a. Errors and Omissions: one million dollars (\$1,000,000) per occurrence;
- b. General Liability: one million dollars (\$1,000,000) per occurrence;
- c. Property Insurance: For owned building and contents, including boiler and machinery coverage, if owned;
- d. Crime Coverage: no less than two hundred fifty thousand dollars (\$250,000) to cover employee theft and dishonesty;
- e. Automobile Liability: one million dollars (\$1,000,000) per occurrence; and
- f. Workers’ Compensation: as specified by Chapter 97 of NC General Statute, Workers’ Compensation Law.

D. Compliance Requirement – Per G.S. 115C-218.50, a charter school shall not charge tuition or fees except those that are charged by the local school administrative unit in which the charter school is located.

A charter school, upon approval by the board of directors of the charter school, may establish fees for extracurricular activities, except those fees shall not exceed the fees for the same extracurricular activities charged by a local school administrative unit in which forty percent (40%) or more of the students enrolled in the charter school reside.

Audit Objective – To determine the Charter School has complied, and remains in compliance, with the statute regarding the charging of fees for its students.

Suggested Audit Procedures – Examine the school’s policy and practice to gauge its compliance with the prohibition for charging of fees different than that of the school district in which the charter is located.

- Verify the school has a board approved policy regarding fees that complies with the statute. Evidence of board meeting minutes would be verifiable evidence.
- Seek evidence from the charter school indicating that any mandatory fees charged by the charter school are also charged by the local school administrative unit in which the school is located.
- Inquire of the local school administrative unit in which the charter school is located what fees and amounts, if any, that they charge students.

E. Compliance Requirement – Per G.S. 115C-218.65, charter schools must ensure the School Report Card issued for it by the State Board of Education is provided to the public. The performance score and grade earned for the previous four years must be prominently displayed on the school’s website. If the school received a letter grade of “D” or “F,” the statute requires the charter school to notify parents or guardians, in writing, of that designation.

Audit Objective – To determine the Charter School has complied with the statutory provision regarding School Report Cards as stated by the General Assembly.

Suggested Audit Procedures – Review documentation to determine compliance by the following:

- Check the school’s website to see if the School Performance Score and Grade earned are prominently displayed on the website. This requirement began with data from the 2013-14 school year, and the first School Performance Score and Grade was released in February 2015.
- Seek other evidence, whether through correspondence with parents, newsletters, press releases, or the school website, that the School Report Card has been disseminated in a public fashion.
- Ask to see a copy of the written notice provided to parents or guardians if the charter school received a “D” or “F.”
- Verify that the school is maintaining the information on the website in a prominent location, as prescribed by law, for the previous four years.

F. Compliance Requirement – Per G.S. 115C-218.90(b), if the local school administrative unit in which the charter school is located has adopted a policy requiring criminal history checks, then the board of directors of the charter school shall adopt a policy mirroring that of the local board of education policy that requires an applicant for employment to be checked for a criminal history.

Audit Objective – To determine that the Charter School is appropriately following the statute regarding the implementation of a Criminal History Check.

Suggested Audit Procedures – Verify that the school is compliant with the statutory requirement for Criminal History Checks by examining the following:

- Verify within the charter school board’s policy manual that the charter school has a Criminal History Check policy that mirrors the one of the school district in which the charter school is located.
- Inspect documents to ensure the use of the Criminal History Check policy with all applicants for employment before granting an unconditional job offer. Charter school boards may offer conditional employment to a candidate pending the results of the person’s criminal history.

Additional State Board of Education Requirements for Charter School Performance Framework Compliance

G. Compliance Requirement - The Public Charter School shall at all times be operated by the board of directors of the non-profit corporation in accordance with G.S. 115C-218-et seq. and all other applicable laws and regulations. The majority of board members and 50% or greater of the board officers for a charter school must have their primary residence in NC.

Audit Objective - To determine that the Charter School Board of Directors is compliant with regards to North Carolina primary residency for the majority of its members and a minimum of 50% of its board officers.

Suggested Audit Procedures - Verify the primary residences of the members of all of the Charter School Board of Directors through the inspection of at least two different pieces of documentation for the current year. Examples of acceptable documents that show the property was occupied as the principal residence of the board member for the year in question are as follow:

- Both sides of a driver’s license with property address.
- Voter’s registration record.

STATE PUBLIC SCHOOL FUND (CHARTER SCHOOLS)

- A statement from a bank, charge account, medical billing, utility bills, etc. (Only the portion showing your mailing address and date need to be reviewed.)
- Property tax bill with the property as the mailing address.
- Copy of passport.
- Income tax return showing the mailing address. (Sensitive information may be blacked out.)

NOTE: *This is not an all-inclusive list and no one item is particularly controlling.*

H. Compliance Requirement – The Charter School shall comply with State Board of Education policies regarding periodic Board meetings (CHTR-006 (IIA)).

Audit Objective – To determine that the Charter School is appropriately following the SBE guidance by meeting no less than eight times per, including the Charter School annual meeting.

Suggested Audit Procedure – Verify that a quorum of the board meets no less than eight times a year by reviewing Board minutes.

I. Compliance Requirement – Per G.S. 115C-218.25, the charter school and board of directors of the private nonprofit corporation that operates the charter school are subject to the Public Records Act, Chapter 132 of the General Statutes, and the Open Meetings Law, Article 33C of Chapter 143 of the General Statutes. Notwithstanding the requirements of Chapter 132 of the General Statutes, inspection of charter school personnel records for those employees directly employed by the board of directors of the charter school shall be subject to the requirements of Article 21A of this Chapter.

Audit Objective – To determine that the Charter School is appropriately following the statute regarding compliance with the Public Records Act and Open Meetings Law.

Suggested Audit Procedures – Verify that the school is compliant with the statutory requirement for the Public Records Act by examining the following:

- All official meetings of public bodies are open to the public.
- All Board meetings minutes are documented.
- Timely posting of Board meeting minutes for public viewing.

J. Compliance Requirement – The Charter School shall comply with State Board of Education policies regarding the operation of the Charter School, including Personnel, Disciplinary, and Parental Grievance policies (CHTR-006 (IIA)).

Audit Objective – To determine that the Charter School has adopted current Personnel, Disciplinary, and Parental Grievance policies.

Suggested Audit Procedure – Verify that the school has adopted Personnel, Disciplinary, and Parental Grievance policies and the policies are available to all concerned parties.

K. Compliance Requirement – Per the Charter Agreement (14.2), the Charter School shall grant access to local health and fire department officials for inspection of premises or operations of the charter school for purposes of ensuring the health, safety and welfare of students and employees.

Audit Objective – To determine that the Charter School maintains records regarding local health and fire inspections

Suggested Audit Procedure – Verify that the school maintains records of health and fire inspections.

L. Compliance Requirement – Per N. C. G. A. Session Law 2011-147, the Gfeller-Waller Concussion Awareness Act (<http://gfellerwallerlaw.unc.edu/GfellerWallerLaw/gwlaw.html>), public schools must follow concussion safety requirements for interscholastic athletic competition.

Suggested Audit Procedure – Addressed in the NC Department of Public Instruction Cross-cutting Requirements.

M. Compliance Requirement – Per G.S. 115C-218.100 (as modified in SL 2015-248 [HB334]) A charter school that has elected to participate in the North Carolina Retirement System pursuant to G.S. 135-5.3 shall, for as long as the charter school continues to participate in the North Carolina Retirement System, maintain a minimum of \$50,000 for the purposes of ensuring payment of expenses related to closure proceedings in the event of a voluntary or involuntary dissolution of the charter school. Permissible options to satisfy this requirement includes one or more of the following:

- a. An escrow account.
- b. A letter of credit.
- c. A bond.
- d. A deed of trust.

The closure fund requirement only applies to charters that are members of the North Carolina Retirement System (TSERS) that submitted applications for an initial charter or a renewal of a charter on or after August 2, 2014. Therefore, the first initial charters that this applied to are those charter schools that were approved as fast track charters opening in 2015-16 school year. The first renewals that this applied to, are those that are renewed starting in the 2016-17 school year.

Audit Objective - To determine that the Charter School maintained the required \$50,000 for closure related expenses.

Suggested Audit Procedure - Verify that the school maintains closure fund of a minimum of \$50,000 by using one or more of the approved methods.

If the charter school receives any Federal grants, please refer to appropriate compliance supplement for each grant received.

2018 Charter School Performance Framework

SCHOOL NAME:

LEA CODE:

GRADE SPAN:

A. Operational Annual Monitoring Criteria

MEASURE	CRITERIA	STATUS
A1	The NC Report Card and Letter Grade are prominently displayed on the school's website and schools with D/F have sent letter to notify parents.	
A2	The school has an assigned administrator in the Education Value-Added Assessment System (EVAAS).	
A3	The school meets the required number of instructional hours or days in accordance with State law.	
A4	The school adheres to all testing and accountability policies for state assessments.	
A5	The school implements mandated programming as a result of state or federal requirements.	
	Title I	
	Title II	
	EC	
	School Nutrition	
	ELL	
A6	The school follows student admissions and lottery requirements as stated in North Carolina General Statute, State Board of Education Policy, and the signed charter agreement.	
A7	The school's official funded ADM is within 10% of the projected ADM.	
A8	The non-profit board has a current grievance policy.	
A9	The non-profit board has a current conflict of interest policy that complies with G.S. 115C-218.15.	
A10	The non-profit board has a current nepotism policy.	
A11	A quorum of the non-profit board of directors meets no less than 8 times a year (including annual meeting).	
A12	The majority of the non-profit board members have primary residence in North Carolina.	
A13	There is evidence of current fire inspections and related records.	
A14	The school has a viable certificate of occupancy or other required building use authorization.	

MEASURE	CRITERIA	STATUS
A15	The non-profit board holds current, active civil and liability insurance with the minimum coverage as defined in the signed charter agreement.	
A16	The non-profit board has a criminal history check policy that mirrors the LEA in which the school is located.	
A17	The school is compliant with all student health and safety requirements as defined in General Statute, SBE Policy, or the signed charter agreement.	
A18	The school is compliant with teacher licensure percentage requirements by maintaining at least 50% of teachers licensed from December 31 through the end of the school calendar year in accordance with SBE Policy.	
A19	The charter school is compliant with the annual EMO/CMO public records request.	
A20	The charter school is compliant with maintaining the required dissolutions funds as required by G.S. 115C-218.100.	
A21	The school is compliant with the implementation of a School Improvement Plan submitted through NCStar.	

B. Operational Renewal Monitoring Criteria

MEASURE	CRITERIA	STATUS
B1	The school has graduation requirements that match the approved charter application or approved charter application amendments.	
B2	The school has student promotion requirements that match the approved charter application or approved charter application amendments.	
B3	The school is consistently implementing the mission and educational program in the approved charter application or approved charter application amendments.	
B4	The non-profit board operates in accordance with the approved charter application by-laws or approved charter application amended by-laws.	
B5	The non-profit board is compliant with Open Meetings Law.	
B6	The non-profit board is compliant with Public Records Requests.	
B7	The school maintains a discipline policy that is compliant with state and federal law and that is consistent with the approved charter application and approved charter application amendments.	

C. Financial Compliance

MEASURE	CRITERIA	STATUS	DATA
C1	The State Board policy CHTR-006 outlines the charter school noncompliance levels. This policy details the following three levels of financial non-compliance under which a charter school may be placed by the Division of School Business.		

D. Academic Outcomes

MEASURE	CRITERIA	STATUS	DATA
D1	The charter school has a School Performance Grade (SPG) of a C or better. ¹		
D2	The charter school met or exceeded expected growth.		
D3	The charter school is identified as a Low-Performing school.		
D4	The charter school is identified as a Continually Low-Performing school.		
D5	The charter school's Performance Composite GLP is comparable ² to the LEA.		
D6	The charter school's Performance Composite CCR is comparable ² to the LEA.		
D7	Female Subgroup Grade Level Proficiency		
D8	Male Subgroup Grade Level Proficiency		
D9	Black Subgroup Grade Level Proficiency		
D10	White Subgroup Grade Level Proficiency		
D11	Hispanic Subgroup Grade Level Proficiency		
D12	American Indian Subgroup Grade Level Proficiency		
D13	Economically Disadvantaged Subgroup Grade Level Proficiency		
D14	Exceptional Children Subgroup Grade Level Proficiency		
D15	Reading Performance Grade		
D16	Math Performance Grade		

¹Schools receiving a D or F rating are at-risk of Low Performing designation and must notify parents of School Performance Grade.

²Comparable as defined by the Charter School Advisory Board (CSAB) as being no more than 5% below the LEA on proficiency ratings.

CHARTER AGREEMENT

Pursuant to G.S. 115C-218et seq. the North Carolina State Board of Education (hereinafter referred to as “SBE”) grants this license to _____ (hereinafter referred to as “the Nonprofit”) to operate _____, a Public Charter School.

1. Term

- 1.1** The Charter is effective on July 1, ____ through June 30, _____. It shall terminate June 30 of the last year without further notice from or action by the SBE.
- 1.2** In accordance with 115C-218.5(d)- the Nonprofit will ensure the Public Charter School completes the Five Year Review process which includes reporting on the application’s approved goals as well as selecting new goals for the next five years.
- 1.3** The Nonprofit may apply to renew the Charter pursuant to SBE policies and procedures; however, this agreement, in no way, binds the SBE to renew the Charter for an additional term. The SBE shall make renewal decisions consistent with State law, SBE policies, and the terms of this agreement.
- 1.4** If the Public Charter School ceases operating in accordance with its Charter and terminates instruction, without prior permission from the SBE, it will be deemed to have surrendered its charter and all rights thereunder.

2. Charter School a North Carolina Public School

- 2.1** Pursuant to Article IX, Section 2, of the North Carolina Constitution and Part 6A of Article 16 of Chapter 115C of the North Carolina General Statute, a Charter School is a public school and shall be accessible to all North Carolina students eligible to attend public schools under G.S. 115C-366.

3. Application-Binding

- 3.1** The SBE has reviewed the Application submitted by the Nonprofit and has approved it subject to adherence to all requirements set forth in this Charter and in the Charter School Act. The Application is fully incorporated in this Charter and all representations and conditions contained in the Application are binding on the charter school.
- 3.2** The self-selected goals and objectives contained within the charter application will be annually evaluated. If, at Year 3 of the charter term, the Public Charter School is not meeting these goals and objectives, the charter may be terminated.
- 3.3** The Nonprofit shall immediately submit in writing to the Office of Charter Schools and the SBE any proposed substantial changes to the Application. No proposed amendment is valid until the SBE approves that modification.

4. Charter School Governing Board

- 4.1** The Public Charter School shall at all times be operated by the board of directors of the non-profit corporation in accordance with G.S. 115C-218-et seq. and all other applicable laws and regulations. All members of the non-profit corporation shall have their primary residence in North Carolina.
- 4.2** The members of the governing board of the nonprofit shall receive no compensation other than reimbursement of reasonable expenses incurred while fulfilling duties as a member of the board.
- 4.3** The Nonprofit board of directors shall adopt and ensure compliance with a conflict of interest policy. This policy shall include, at a minimum, the following provisions:
 - a. No voting member of the governing board shall be an employee of a for-profit company that provides substantial services to the charter school for a fee.
 - b. No employee of the charter school shall be immediate family (as defined in G.S. 115C-12.2) to any member of the Nonprofit board of directors.
 - c. No employee of the charter school, whether hired by the board of directors or a management company, shall be a voting member of the Nonprofit board of directors.
 - d. No teacher or staff member that is immediate family of the chief administrator shall be hired without the board of directors evaluating their credentials, establishing a structure to prevent conflicts of interest, and notifying the Department, with evidence, that this process has occurred.
- 4.4** The Nonprofit shall have ultimate responsibility for employment, management, dismissal and discipline of its employees. In no event shall the governing board delegate or assign its responsibility for fulfilling terms of this charter.
 - a. The Nonprofit shall not enter into or terminate an agreement for comprehensive management services without the prior, explicit approval of the SBE.
 - b. The Nonprofit shall comply with all SBE requests regarding the management agreement that are reasonably related to compliance with all provisions of this charter agreement and the charter school statute.

5. Compliance With Other Laws

- 5.1** The Nonprofit shall ensure that the Public Charter School complies with the Federal and State Constitutions and all applicable federal laws and regulations, including, but not limited to, such laws and regulations governing employment, environment, disabilities, civil rights, children with special needs, transportation, and student records.
- 5.2** The Nonprofit shall ensure that its operation of the Public Charter School complies with all applicable health and safety laws and regulations, whether federal, state, or local.
- 5.3** Neither the SBE nor the local board of education assumes the duty to oversee the operations of the Public Charter School except as may otherwise be provided by law or separate contract.

- 5.4** Neither the SBE nor the local board is required to monitor the Public Charter School for compliance with applicable laws and regulations.

6. Tax-Exempt Status

Pursuant to G.S. 115C-218.15(b) the Nonprofit shall obtain federal tax-exempt status no later than twenty-four months from the date the SBE gives final approval of its Application. The loss of federal tax-exempt status shall result in the revocation of the charter.

7. Enrollment

- 7.1** Admission and enrollment of students shall be as prescribed by the Charter School Act. Failure to adhere to the lottery requirements set forth in G.S. 115C-218.45 is grounds for termination of this Charter.
- 7.2** Student recruitment and enrollment decisions shall be made in a nondiscriminatory manner and without regard to race, color, creed, national origin, sex, religion, ancestry, disability or need for special education services.
- 7.3** The Nonprofit shall ensure that the Public Charter School reports the names, addresses, names of the legal custodian of the students, addresses of the legal custodian of the students, and Student ID number of all students enrolled, as required by the SBE. On September 1 of each year or following the 20th day Average Daily Membership (hereinafter referred to as “ADM”) headcount, whichever is later, the Public Charter School will provide to the local boards of education from which it is entitled to receive local funds the above information with regard to any students from those districts enrolled in the School. This information will be provided electronically in a Uniform Education Reporting System approved software or system. When a student withdraws, the Public Charter School shall promptly notify the local board of education responsible for the attendance area in which the student resides so that the local board may fulfill its legal obligation to verify the student’s compliance with compulsory attendance laws.
- 7.4** Enrollment numbers in the application are projections, or estimates, and do not bind the State to fund the Public Charter School at a particular level.
- a. For the first two years of the initial charter the State will fund the school up to the maximum projected enrollment for each of those years as set forth in the application. However, in subsequent years, the School may increase its enrollment only as permitted by the charter school statute.
 - b. After three years of operation, G.S. 115C-218.5(f) permits a charter school to expand to offer one grade higher than the charter school currently offers if the charter school has not been identified as having inadequate performance as defined in statute.
 - c. Any increase above 20% must be submitted to the Office of Charter Schools and approved by the State Board of Education in accordance with G.S. 115C-218.5(e).

8. Financial and Governance Warnings

This Charter incorporates by reference, and the Nonprofit is subject to, State Board Policy for Schools on Financial and Governance Noncompliance, and any subsequent amendments to such Policy.

9. Children with Special Needs

- 9.1** As prescribed by the SBE and in accordance with state and federal laws, the Nonprofit shall provide to the SBE the total number of children with special needs, identified in accordance with state and federal laws, enrolled in the Public Charter School.
- 9.2** The Nonprofit accepts and understands that for purposes of federal and state law, it is obligated to provide free and appropriate education and related services to children with special needs.
- 9.3** The Nonprofit shall be designated a local education agency (LEA) solely for purposes of meeting special education requirements pursuant to the Individuals with Disabilities Education Act (IDEA).
- 9.4** The Nonprofit shall be responsible for meeting the needs of English language learners in compliance with State and Federal law.

10. Reports

The Nonprofit shall ensure the Public Charter School submits such reports as required by the SBE. Failure to submit such reports may be grounds for revocation of the Charter.

11. Notifications

- 11.1** The Nonprofit shall notify the SBE immediately of any conditions that it knows are likely to cause it to violate the terms of this Charter or applicable law.
- 11.2** The Nonprofit shall notify the SBE immediately of any circumstance requiring the closure of the Public Charter School, including but not limited to a natural disaster, such as an earthquake, storm, flood or other weather-related event, other extraordinary emergency, or destruction of or damage to the school facility.
- 11.3** The Nonprofit shall immediately notify the SBE of the arrest or charge of any members of the governing board or of a Public Charter School employee for a crime punishable as a felony, any crime related to the misappropriation of funds or theft, and any crime or misdemeanor constituting an act against a minor child or student. The Nonprofit shall also notify the SBE of the investigation of a member of the governing board or of any Public Charter School employee for child abuse.
- 11.4** The Nonprofit shall notify the SBE immediately of any change in its corporate status with the North Carolina Secretary of State's Office.
- 11.5** The Nonprofit shall notify the SBE immediately of a default on any obligation, which shall include debts that are past due by sixty (60) days or more.

- 11.6** The Nonprofit shall notify the SBE immediately if, at any time, student enrollment decreases by twenty percent (20%) or more compared to the most recent pupil count submitted to the SBE and/or DPI.
- 11.7** Failure by the Public Charter School to provide the above-stated notifications may be deemed a violation of this Charter and may be grounds for revocation.

12. Records

- 12.1** Subject to state and federal laws, the SBE, its agents, and the State Auditor shall have the right to examine and copy all records, reports, documents, and files relating to any activity, program, employee or student of the Public Charter School.
- 12.2** The Nonprofit is subject to the Public Records Law, Chapter 132 of the General Statutes. This provision is effective upon the SBE's approval of the Charter Application.
- 12.3** The Public Charter School is subject to all the provisions of Article 29 of Chapter 115C, entitled "Protective Provisions and Maintenance of Student Records."
- 12.4** The Nonprofit shall ensure compliance with the Family Educational Right to Privacy Act 42U.S.C. §1232g.

13. Insurance and Bonding

- 13.1** The Nonprofit shall name the SBE as an additional insured to their liability coverage while obtaining and maintaining insurance at a minimum in the following amounts:
- a. Errors and omissions: one million dollars (\$1,000,000) per occurrence;
 - b. General liability: one million dollars (\$1,000,000) per occurrence;
 - c. Boiler and machinery: the replacement cost of the owned building;
 - d. Real and personal property: the appraised value of the owned building and contents;
 - e. Fidelity bonds: no less than two hundred fifty thousand dollars (\$250,000) to cover employee dishonesty;
 - f. Automobile liability: one million dollars (\$1,000,000) per occurrence; and
 - g. Workers' compensation: as specified by Chapter 97 of the General Statutes.
- 13.2** These provisions shall not preclude the Nonprofit from obtaining liability insurance coverage in addition to or in excess of the requirements stated in this section.

14. Health, Safety, Welfare

- 14.1** The Nonprofit shall ensure that the Public Charter School adheres to all applicable federal, state, and local health and safety laws and regulations.
- 14.2** The Nonprofit shall grant access to local health and fire department officials for inspection of premises or operations of the charter school for purposes of ensuring the health, safety and welfare of students and employees.

15. Facilities

- 15.1** Prior to commencing operation, the Nonprofit shall provide to the SBE a description of any facility it intends to use, the financing for the facility and evidence from local government inspection authorities that the School's facilities are currently safe (*e.g.*, Certificate of Occupancy for Educational Use).
- 15.2** Any change in location requires immediate notification by the Nonprofit to the SBE, and the Public Charter School must comply with the following conditions:
 - a. Notification to the SBE;
 - b. Submission of a valid Certificate of Occupancy or Temporary Certificate of Occupancy for the new Facilities prior to the first day of occupancy by students; and
 - c. Modified insurance binder to show the Public Charter School coverage is still valid for the new location.
- 15.3** Relocation into a different county and/or LEA shall constitute a material revision to this Charter and requires approval of the SBE.

16. Licensed Employees

- 16.1** All employees who hold professional valid licenses issued by the SBE are subject to the rules pertaining to licensed professionals and their licenses may be revoked based on any of the grounds listed in 16 N.C.A.C. 6C. 0312.
- 16.2** All Public Charter School administrators must report to the SBE if an employee engages in physical or sexual abuse of a child as listed in 16 N.C.A.C. 6C.0312.
- 16.3** Prior to each academic year, and as required by the SBE, the Nonprofit will ensure the Public Charter School reports the total number of teachers and the total number of teachers who hold valid licenses who are employed to teach at the Public Charter School. Failure to employ at least the number of licensed teachers required by law to teach in the charter school shall be grounds for revocation of the Charter.
- 16.4** The Nonprofit shall not employ, or accept voluntary services from, any individual whose certificate or license has been suspended or revoked by the SBE or any other licensing board or agency on the grounds of unethical or immoral behavior, including improper sexual or physical conduct with children or students. Violation of this provision is grounds for revocation of the Charter.
- 16.5** In the case of a Nonprofit employee who is on leave from employment with the local board pursuant to G.S. 115C-218.90(3) or its successor statute, the Nonprofit will notify the local board if such employee is suspended, terminated, asked to resign, or otherwise subjected to disciplinary action because of poor performance or misconduct. The Nonprofit shall cooperate with the local board and shall provide any information requested concerning such employees.

17. Fees

As prescribed by law, the Public Charter School shall not charge tuition or fees, except that the school may charge any fees that are charged by the local school administrative unit in which the charter school is located.

18. Transportation

The Nonprofit shall ensure the Public Charter School provides transportation for students as prescribed by law and the approved charter application. G.S. 115C-218.40

19. Indemnity

- 19.1** The Nonprofit agrees to indemnify and hold harmless the SBE, DPI, the constituent institutions of the University of North Carolina, and local boards of education, their officers, agents, employees, successors and assigns from all claims, damages, losses and expenses, including attorney's fees, arising out of or resulting from any action of the School caused by any intentional or negligent act or omission of the School, its officers, agents, employees, and contractors.
- 19.2** No indebtedness of any kind incurred or created by the Public Charter School shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the Public Charter School shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions. The Nonprofit shall clearly indicate to vendors and other entities and individuals that the obligations of the Nonprofit under agreement or contract are solely the responsibility of the Nonprofit and are not the responsibility of the SBE or the State.
- 19.3** This Charter is not an employment contract. No officer, employee, agent, or subcontractor of the Nonprofit is an officer, employee, or agent of the SBE or DPI.

20. Student Discipline

- 20.1** The Nonprofit shall comply with Article 27 of Chapter 115C of the General Statutes.
- 20.2** The Public Charter School shall comply with all applicable federal and state laws and regulations governing discipline of children with disabilities, including compliance with 20 U.S.C. Sec. 1400 et seq. and Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. Sec. 706(8).
- 20.3** The Public Charter School shall comply with state and federal due process requirements both in notifying students of conduct for which they may be suspended or expelled and in providing notice and hearing opportunities to students being recommended for exclusion. If the Public Charter School suspends a student with special needs, it shall continue to provide to the student all continuing education services to the extent mandated by federal and state laws and regulations.
- 20.4** In the event the school suspends or expels a student, the Public Charter School shall promptly notify local School officials in the School district to which the

student would otherwise be assigned. Such notification shall include the student's name, special education status, length of suspension/expulsion and the circumstances giving rise to the suspension or expulsion.

21. Instruction

As prescribed by G.S. 115C-218.85(a)(1), the Nonprofit shall ensure the Public Charter School provides the minimum days or hours of instruction as required by statute.

22. Criminal Background Checks

The Nonprofit agrees to comply with the statutory requirement regarding background checks. G.S. 115C-218.90 (4)

23. Open Meetings

The Nonprofit agrees to be subject to the Open Meetings law (Article 33C of Chapter 143 of the General Statutes). This provision is effective upon the SBE's final approval of the charter application.

24. Assignment

Assignment of the Public Charter School to another entity is deemed a material revision to the Charter and must have prior written approval of the SBE.

25. Adequate Performance

The Nonprofit shall comply with all statutory and SBE requirements defining adequate criteria for Public Charter School performance and consequences for failing to meet the statutory requirements.

26. Termination of Charter

26.1 The SBE may terminate this Charter on any of the following grounds:

- a. Failure to meet the requirements for student performance;
- b. Failure to meet generally accepted standards of fiscal management;
- c. Violation of law;
- d. Material violation of any of the conditions, standards, or procedures set forth in the Charter;
- e. Two-thirds of the faculty and instructional support personnel at the Public Charter School request termination or nonrenewal; or
- f. Other good cause warranting nonrenewal or termination.

26.2 The following procedures will apply to the termination proceedings:

- a. When sufficient information exists to initiate termination of a Charter, DPI shall give the Nonprofit written notice of its intention to initiate revocation of the Charter. The notice will be sent by certified mail, return receipt requested, and shall state in reasonable detail the grounds for the recommendation.
- b. If information available to the SBE indicates that the Public Charter School's current operation poses an immediate threat to the education, health, safety, or welfare of the Public Charter School's students or employees or the public,

the SBE may take appropriate protective action pending a final decision on the termination of the Charter.

- 26.3** If the Nonprofit objects to the termination of the Charter, it must, within ten days following the date on which notice of the SBE's action was mailed, deliver to the State Board of Education a written request for a review by the SBE. If the Nonprofit fails to deliver a timely request for review, the Charter shall terminate on the eleventh day after the date the notice was mailed. If a timely request for a review is made by the Nonprofit, the Chair of the SBE may approve a Review Panel to consider the appeal. The Review Panel may review the matter with or without a formal hearing. If the Review Panel elects to conduct a hearing, the hearing shall be held within 30 days of receipt of the written request, unless otherwise agreed to by the parties. At the conclusion of its review, the Review Panel shall submit a written recommendation to the SBE. Unless the SBE and the Nonprofit otherwise agree, the SBE shall make a final decision at its next regularly scheduled meeting.
- 26.4** In the event that the Nonprofit is required to cease operation for any reason, including but not limited to non-renewal, revocation, or voluntary surrender of the Charter, the Nonprofit shall comply with the SBE's closure requirements.

27. Charter Amendment

- 27.1** The Nonprofit shall submit any proposed material revision of the charter to the SBE in accordance with guidance provided by the Office of Charter Schools. Changes that constitute a material revision include, but are not limited to, the following:
- a) Enrollment growth beyond 20% as set out in statute;
 - b) Relocation;
 - c) Transferring the charter to another non-profit entity;
 - d) Altering the mission or targeted student population;
 - e) Employing or terminating a management company;
 - f) Changing the application respecting the National School Lunch program; and
 - g) Changing the application with respect to student transportation.
- 27.2** The following proposed amendments to a charter may be approved by Department staff without the necessity of Board action; however, the charter school must seek approval prior to implementation of the change. Further, the Board must be notified by the Department of any approved amendments in the following areas:
- a) Bylaws;
 - b) The name of the charter school;
 - c) The Articles of Incorporation;
 - d) Class sizes as stated in the application;
 - e) Length of school day and/or academic year; and
 - f) Curriculum changes.
- 27.3** Any potential changes not contained in 27.2 above must be reviewed and approved by the State Board of Education. Notwithstanding the foregoing, the Department may carry any proposed amendment to the Board for its review.

28. Agreements with Local Boards of Education

This Charter shall not preclude the Nonprofit from entering into any agreements with the local board of education; provided, no such agreements shall supersede or override any provision of this Charter.

29. Oversight and Intervention

29.1 The SBE will, at its discretion, conduct announced or unannounced site visits at the Public Charter School consistent with its oversight authority.

29.2 The SBE and DPI are, in no event, responsible for any financial support other than the funding as provided by law.

30. Notice

Any notice the Public Charter School is required or permitted to be submitted under this Charter shall be delivered to:

**Director, Office of Charter Schools
Department of Public Instruction
6303 Mail Service Center
Raleigh, NC 27699-6303**

All faxes or emails sent by the School shall be followed by hard copies postmarked within the next business day of the fax transmittal.

31. Severability

If any provision of this Charter is determined to be unenforceable or invalid for any reason, the remainder of this Charter shall remain in effect, unless the Charter is revoked or relinquished.

32. Non-Endorsement

The Public Charter School acknowledges that the granting of a Charter in no way represents or implies endorsement by the SBE of any method of instruction, philosophy, practices, curriculum, or pedagogy used by the School or its agents; nor does the granting of this Charter constitute a guarantee by the SBE of the success of the Public Charter School in providing a learning environment that will improve student achievement.

33. Legislative Action

This Charter and any amendments to it and renewals of it are subject to applicable laws enacted by the General Assembly and shall be deemed amended to reflect applicable changes to those laws. Upon repeal of the statutes authorizing this Charter, this Charter is null and void.

34. Status of Parties to the Charter

34.1 This Charter is not intended to create and shall not be interpreted to create employer-employee, contractor-subcontractor, or principal-agent relationships between or among any party or parties to this Charter. "Parties," for purposes of this paragraph only, include the parties to this Charter. No officers, employees, agents, or subcontractors of the School shall be considered officers, employees, agents or subcontractors of the SBE.

34.2 The Nonprofit certifies that all contracts obligating the Nonprofit have been and will be undertaken by the Nonprofit and failure to act strictly as a nonprofit corporation shall be grounds for revocation of the Charter.

SIGNATURE AND NOTARIZATION PAGE

FOR THE SCHOOL:

(School Name)

This ____ day of ____ 2015.

(Print Name of Board Chair/ President)

(Signature of Board Chair/President)

Sworn to and subscribed before me this ____
day of ____, 2015.

(Official Seal)

Notary Public

My commission expires ____, 20__.

FOR THE STATE BOARD OF EDUCATION:

This ____ day of ____ 2015.

(State Superintendent)

(Signature of State Superintendent)

Sworn to and subscribed before me this _____
day of _____, 2015.

(Official Seal)

Notary Public

My commission expires _____, 20____.

SAMPLE

Appendix E: NCDPI Support of Charter Schools

The State Board of Education has set a goal of increasing the number of charter schools that meet or exceed all operational, financial, and academic performance expectations. To this end, NCDPI, through the Office of Charter Schools (OCS) and other areas of the agency, provides a broad range of services to charter schools to help ensure that they understand how to meet all State and federal laws and policies and the promises they have made in their charter applications/agreements. In addition, though charter schools are not required to use the curricular, instructional, and technological resources provided for all public schools, NCDPI works to ensure that charter school leadership is fully informed about State-provided resources that could provide charters with cost effective, high quality materials and infrastructure if they so choose.

OCS has implemented a number of initiatives to support charter school efforts and to monitor performance, including training camps for low performing charter schools, charter school regional huddles, an annual charter schools Leadership Institute, Ready-to-Open and Planning Year sessions, renewal site visits, quarterly reviews of school board minutes, quarterly compliance reviews, and other mechanisms through which struggling schools are identified and receive additional support. Finally, NCDPI responds almost daily to requests from charter school leaders and their contractors, charter school advocates, parents, and public officials for information about charter schools and/or technical assistance.

Highlights of the services that NCDPI provides to NC charter schools include the following:

- Office of Charter Schools (OCS)
 - Conducts Application Process training for prospective applicants for charters
 - Hosts Planning Year training for new charter school boards and school leaders on topics including governance, state and federal law, SBE policies, and the Charter Agreement
 - Delivers periodic refresher training for charter school board members and school leaders
 - Maintains efficient, user-friendly online Application, Renewal, and Grade Enrollment & Expansion Request systems
 - Maintains a website with OCS- and NCDPI-created resources, and links to externally created resources (such as those provided by the National Association of Charter School Authorizers)
 - Provides daily technical assistance through phone and email communication with school staff, parents, charter advocacy organization representatives, vendors, et al
 - Processes individual schools' amendments to their charters (some amendments can be approved by OCS, while many require approval through State Board deliberations)
 - Staffs the State Board of Education's Education Innovation and Charter Schools Committee (to present charter school policy items and amendments that schools have requested) and the Charter Schools Advisory Board

- Meets with groups of charter school leaders periodically to hear their concerns and identified needs and discuss with these leaders how OCS can better serve them
- Hosts annual charter school leadership institute where charter leaders can receive technical assistance from a variety of NCDPI experts and share with other charter school leaders
- Educator Effectiveness and Curriculum & Instruction Divisions
 - Provide a range of training, technical assistance, and both face-to-face and online professional development opportunities, including the following:
 - ✦ Inviting all charter schools to participate in Summer Institutes and other statewide and regional professional development gatherings supported with Race to the Top funding between 2010-11 and 2015-16
 - ✦ Inviting all charter schools to participate in the Principal READY meetings (professional development specifically for principals and assistant principals) across the State
 - ✦ Inviting all charter schools to participate in regionally-delivered professional development regarding standards and curriculum (i.e., instructional strategies)
 - ✦ Encouraging all charter schools to use the online professional development modules available through Home Base (and providing training for how to do so)
 - ✦ Offering webinars on a variety of topics (such as how to use Home Base tools and the Statewide Educator Evaluation System) specifically targeted to charter school administrators
- K-3 Literacy Division
 - Provides charter schools statewide with a dedicated consultant to conduct professional development for teachers and principals regarding literacy instruction and the State's formative, diagnostic assessment system (required for use as part of the Excellent Schools Act/Read to Achieve legislation)
 - Trains master literacy trainers (including charter schools representatives) across the state to provide ongoing support regionally to schools regarding early literacy instruction
- Exceptional Children's Division
 - Assists charter schools in accessing federal funds for students with special learning needs
 - Provides a range of technical assistance services to help charter schools meet the needs of children with special learning needs
 - Invites all charter schools to annual conference designed to provide professional development across a broad range of topics related to serving students with special learning needs
 - Provide support in the new charter application evaluation process

- Provides support staff specific to Charter Schools
- Supports the Office of Charter Schools and the Charter School Advisory Board by providing detailed school compliance information
- Finance and Business Divisions
 - Advocate for adequate funding for State Public School Fund, which is the source of funds for both traditional and charter school funds (which rise and fall in concert, as the State funds for each charter are based on the funding to the district in which the charter is located)
 - Allot State funds to charter schools
 - Provide efficient, user-friendly online Charter School Average Daily Membership (CSADM) system for schools to enter their projected enrollments
 - Monitor and reports on charter school expenditures (in response to oversight by the General Assembly)
 - Process (with OCS) schools' requests for school enrollment and grade expansion
 - Provide support in the new charter application evaluation process
 - Supports the Office of Charter Schools and the Charter School Advisory Board by providing detailed school compliance information
- Information Technology Area and Digital Teaching & Learning Division
 - Enable charter schools to benefit from State economies of scale for technology solutions to set up to serve every school – traditional and charter – Statewide.
 - Provide all charter schools with cloud-based accounting system with many school management features, including scheduling and producing customized student transcripts
 - Provide all charter schools with opportunity to use cloud-based professional development and instructional/classroom management tools (through Home Base)
- Child Nutrition Division
 - Assists charter schools in accessing federal funding to support free and reduced price lunch
- Transportation Division
 - Provides free inspections and detailed reports regarding safety of charter school buses
 - Provides free replacement of school buses at retirement threshold when school has purchased a new bus

APPENDIX F: PERFORMANCE DATA- NUMBER OF STUDENTS TESTED BY SUBGROUP
Percentage of Students Scoring 3 or Above by Subgroups (Grades 3-5)

Non Charters						
Subgroups	Number of Students Tested in Math	Percentage of Students in Each Subgroup	Number of Students Tested in Reading	Percentage of Students in Each Subgroup	Number of Students Tested in Science	Percentage of Students in Each Subgroup
WHITE	156427	45.8%	156449	45.8%	52839	46.3%
SWD	44921	13.2%	44947	13.2%	15184	13.3%
HISP	66471	19.5%	66487	19.5%	22340	19.6%
ELS	46353	13.6%	46358	13.6%	15387	13.5%
EDS	164758	48.3%	164803	48.3%	53865	47.2%
BLCK	86930	25.5%	86955	25.5%	28450	24.9%
ALL	341223	100.0%	341300	100.0%	114094	100.0%

Charters						
Subgroups	Number of Students Tested in Math	Percentage of Students in Each Subgroup	Number of Students Tested in Reading	Percentage of Students in Each Subgroup	Number of Students Tested in Science	Percentage of Students in Each Subgroup
WHITE	13737	53.3%	13741	53.3%	4661	53.0%
SWD	3005	11.7%	3005	11.7%	1043	11.9%
HISP	2736	10.6%	2737	10.6%	922	10.5%
ELS	1374	5.3%	1374	5.3%	434	4.9%
EDS	6659	25.8%	6655	25.8%	2220	25.3%
BLCK	6884	26.7%	6876	26.7%	2375	27.0%
ALL	25792	100.0%	25791	100.0%	8789	100.0%

Percentage of Students Scoring 3 or Above by Subgroups (Grades 6-8)

Non Charters							Charters						
Subgroups	Number of Students Tested in Math	Percentage of Students in Each Subgroup	Number of Students Tested in Reading	Percentage of Students in Each Subgroup	Number of Students Tested in Science	Percentage of Students in Each Subgroup	Subgroups	Number of Students Tested in Math	Percentage of Students in Each Subgroup	Number of Students Tested in Reading	Percentage of Students in Each Subgroup	Number of Students Tested in Science	Percentage of Students in Each Subgroup
WHITE	152873	47.9%	152942	47.9%	49841	49.0%	WHITE	14486	55.6%	14507	55.7%	4491	58.2%
SWD	42052	13.2%	42111	13.2%	13434	13.2%	SWD	2980	11.4%	2984	11.4%	833	10.8%
HISP	58675	18.4%	58687	18.4%	17801	17.5%	HISP	2652	10.2%	2659	10.2%	752	9.7%
ELS	36980	11.6%	36982	11.6%	8458	8.3%	ELS	1236	4.7%	1238	4.7%	227	2.9%
EDS	147863	46.3%	147986	46.3%	45065	44.3%	EDS	6176	23.7%	6182	23.7%	1662	21.5%
BLCK	79413	24.9%	79496	24.9%	25089	24.7%	BLCK	6603	25.4%	6603	25.3%	1770	22.9%
ALL	319133	100.0%	319322	100.0%	101704	100.0%	ALL	26031	100.0%	26065	100.0%	7717	100.0%

Note: Pacific Islanders are not reported as a separate subgroup but are included in the 'ALL' subgroup

Percentage of Students Scoring 3 or Above by Subgroups (Grades 9-12)

Non Charters						
Subgroups	Number of Students Tested in Math 1	Percentage of Students in Each Subgroup	Number of Students in English II	Percentage of Students in Each Subgroup	Number of Students in Biology	Percentage of Students in Each Subgroup
ALL	115228	100.0%	113643	100.0%	110629	100.0%
BLCK	29344	25.5%	28857	25.4%	28304	25.6%
EDS	51651	44.8%	47675	42.0%	45312	41.0%
ELS	8224	7.1%	7538	6.6%	7025	6.4%
HISP	19947	17.3%	18976	16.7%	17989	16.3%
SWD	14210	12.3%	13088	11.5%	12378	11.2%
WHITE	56140	48.7%	56235	49.5%	54882	49.6%

Charters						
Subgroups	Number of Students Tested in Math 1	Percentage of Students in Each Subgroup	Number of Students in English II	Percentage of Students in Each Subgroup	Number of Students in Biology	Percentage of Students in Each Subgroup
ALL	3905	100.0%	4977	100.0%	5218	100.0%
BLCK	949	24.3%	1021	20.5%	1153	22.1%
EDS	777	19.9%	795	16.0%	870	16.7%
ELS	95	2.4%	89	1.8%	116	2.2%
HISP	325	8.3%	415	8.3%	419	8.0%
SWD	575	14.7%	457	9.2%	486	9.3%
WHITE	2313	59.2%	3108	62.4%	3236	62.0%